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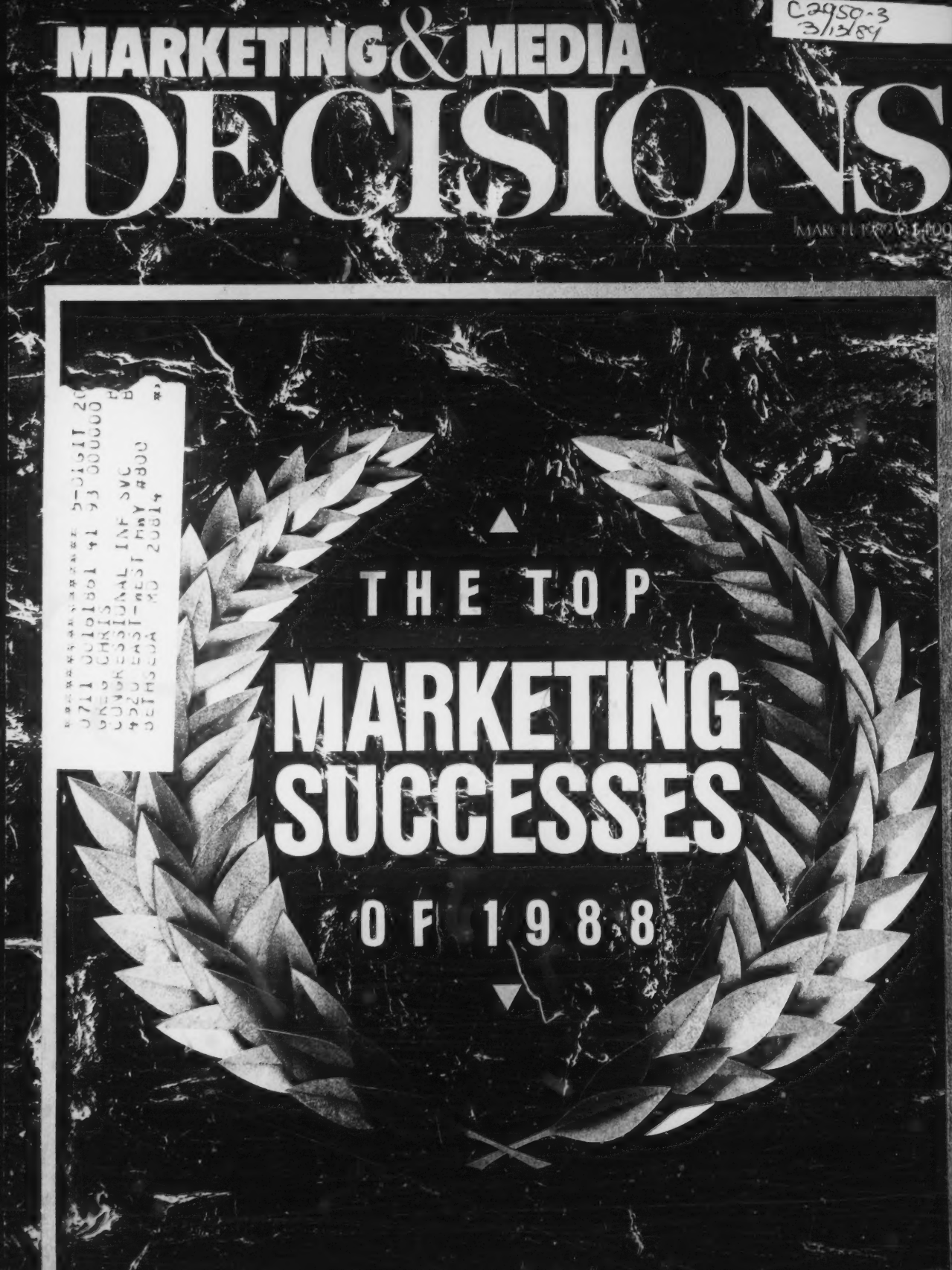
MARKETING & MEDIA
DECISIONS



MARKETING & MEDIA DECISIONS

COVER STORY

MAGNA CUM LAUDE 37

Whatever the obstacles, and there were many, our Top Marketing Successes of 1988 came on strong, saw their openings and conquered their categories.

AUTOMOTIVE: GMC SIERRA & CHEVY C/K 38

General Motors ended Ford's ten-year run as America's pickup-truck king with these two sleek models. It took five years of planning and a real understanding of the market to pull into the fast lane. Now, they're cruising.

PREPARED FOODS: MICROMAGIC 47

Fast food got a little faster last year with J.R. Simplot's line of microwaveable burgers, fries and shakes. The launch, Simplot's first foray in the consumer marketplace, established a whole new category.

TELECOMMUNICATIONS: MCI 51

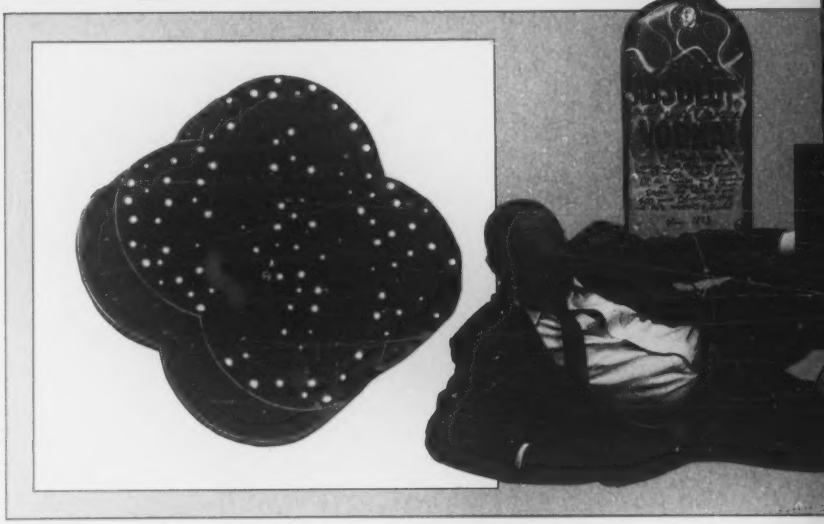
It takes a lot to make AT&T nervous — like unique positioning, aggressive advertising and a potent sales force. Armed with these weapons, MCI now has the giant on the defensive.

SOFT DRINKS: A&W CREAM SODA 59

A&W recognized that cream-flavored soda, a regional favorite, had a natural affinity with its famous root beer. The result is the first nationally distributed cream entry and an increased market share for the A&W line.

COSMETICS: MAYBELLINE 64

Here's one makeover that is flattering indeed. Maybelline's moves to recapture lost ground have produced some dazzling results.



ALCOHOLIC BEVERAGES: ABSOLUT VODKA 73

The Swedish vodka has some of the most stylish advertising around, not to mention its equally creative media plan. No wonder it's still on top.

TRAVEL: MOTEL 6 80

After five years of declining share and occupancy rates, Motel 6 rebounded with aggressive marketing, new expansion plans and a quirky ad campaign.

ENTERTAINMENT: VIACOM 91

The Cosby Show is the brightest star in a brilliant year for Sumner Redstone's entertainment empire. All divisions posted nice gains in 1988, and all credit a new focus on marketing as the main contributor to that picture.

PERSONAL CARE: SALON SELECTIVES 95

Helene Curtis tried a new style by identifying a line of hair-care products with salons. The result — the products grabbed market share, the company got a new image and sales bounced up.

TOYS/ELECTRONICS: NINTENDO 101

And you thought video games were dead. So did many others, until Nintendo came along and reinvented the industry. It now all but owns the category. Also, Sony America gets a nod for taking existing products and repackaging them for a new audience. My First Sony has added incremental sales while helping the company get 'em while they're young.

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More input on the Merkur, and we fix a few flubs.

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March 1989, Vol. 24, No. 3

Cover Art by Lisa Tysko

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The *New York Post* opens itself to new ad categories with a Sunday edition.

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Time Inc.'s book division creates a direct-response unit with Book of the Month Club.

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Yes, America's baseball crazy, but *how* crazy? ESPN, with rights to 175 games, is about to find out.

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Recommendations to the Surgeon General regarding alcohol marketing and advertising add up to a virtual ban.

CREATIVE CONCEPTS 32

While high-definition tv is still in the future for viewers, agencies and producers are using it now.

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Arbitron's new and "sort-of" improved diary . . . A boom year for political ads . . . Unmeasured viewers.

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The perils of planning the trade media are flagged by someone in the field.

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A new-product introduction is broken down into its components.

OUT-OF-HOME *Bob Flood* 115

Ads, ads everywhere as out-of-home follows its targets.

MARKETING & MEDIA DECISIONS (ISSN0195-4296) March 1989, Vol. 24, No. 3 Copyright © 1989. Decisions Publications Inc. Published monthly. Executive, editorial, circulation and advertising offices at 1140 Ave. of Americas, New York, N.Y. 10036 (212) 391-2155. Available without charge to those personally involved in media decisions at major agencies and advertiser companies. For others, subscription prices are: U.S.A. $48 for 12 issues. Canada $60. Overseas $70 (surface mail). Airmail — add $70. Single copy $4.00. All overseas copies are paid. Second-class postage paid at New York, New York, and additional mailing offices. Postmaster: Send address changes to Marketing & Media Decisions, P.O. Box 6069, Duluth, MN 55806-9769.

see how much I loved their car, didn't see fit to respond to my distress. (Even a phone call to their law department about the accident was simply bounced back down the line to a noncommital regional manager who handed off to the dealer who disclaimed responsibility.)

Friends stopped asking, "How are you?" and started inquiring, "How's the Merkur?" I always answered, "It's a fun car to drive. Too bad I had to buy one to do it."

What killed Merkur? My guess is that it was word of (bad) mouth. I certainly tried to do my share. Maybe the Merkur will eventually be worth something as an antique. Then, perhaps, my dog will finally have its day.

Allan B. Clamage
Vice president,
Marquardt & Roche,
Stamford, Conn.

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CORRECTIONS

I appreciated seeing the effective way you presented some of the data in my article (December 1988, p. 132).

It was disturbing, however, to see some typographical errors from the submitted material.

PRIME TIME EXAMPLE
JULY 1988

Multiplier	
Household Usage	50.9
(X) Multi-Set Adjustment Factor	1.08
Adjusted Household Usage	55.0
Divisor	
Conversion Factor Women (55+)	92
(÷) Adjustment Factor	1.08
Adjusted Women 55+ Factor	85

Household usage equaled 50.9, not 60.5, and the percent sign in the chart should actually have been a division sign. [Amended prime-time example above — Ed.]

I'm not perfect either — "Adjusted Household Factor" should have been "Adjusted Women 55+ Factor."

John McSherry
Senior vice president,
director, corporate media resources,
Bozell, Jacobs, Kenyon & Eckhardt,
New York

In the February "Editorial Index," two photos were incorrectly captioned. Marianne Howatson is the publisher of *Self* magazine, and Page Thompson is executive vice president/media director at DDB Needham Worldwide Inc.

THE TOP MARKETING SUCCESSES OF 1988

MAGNA CUM LAUDE

If you believe in miracles, read no further. This is not your kind of issue. This year's Top Marketing Success edition is filled with people and products that have made it happen — these are not cross-your-fingers types at all. Each carefully plotted a course and executed it with precision. Which is not to say that all has gone silkily; many of our winners bear scratches, but they have all persevered in inspiring style.

One of the most telling things about 1988's Top Marketing Successes is their diversity. We've got every kind of company imaginable on the list, from the major household names to smaller niche players. If there is one characteristic that links most of our winners — and this is a bit of reach, we grant you — it is their appeal to the mass rather than class market. Though the *cognoscenti* may have decreed that it's smarter and more profitable for marketers to go "upscale," the majority of our Successes belie that wisdom. They have gone after a blue-collar customer and prospered. Take a look at what's on our list — pickup trucks; microwaveable fast food; a folksy, value-oriented motel chain; a company known for its root beer and cream soda; and drugstore cosmetics.

But make no mistake: This is quite an elite group. The criteria for inclusion are exacting. Those who earn our Marketing Success accolade are companies or brands that increased market share in a meaningful manner; turned around a fading position through execution of a canny marketing strategy; introduced a major new product that had a beneficial impact on the company, bested the competition or kept rivals at bay; or accomplished some other marketing feat, such as consistently remaining at the top of an industry, regardless of business conditions.

Clear on these objectives, we set out to discover who led the pack in 1988. We polled readers, industry analysts and specialists. Then the editorial staff weighed the merits of one potential honoree against another. Based upon this research, we then made some subjective judgments.

Actually, there were clear winners in several categories. How could any other automaker match the performance of General Motors and its new pickup trucks in '88? This is a story with all the dramatic elements necessary for a juicy telling: A giant company under siege, which manages to wrest category leadership away from its red-hot arch-enemy, the Ford Motor Co., via an unlikely vehicle, a full-size truck. Daring marketing and an uncharacteristic willingness to concede and change mistakes are some of the other elements that make it a good read.

Also a page-turner is the story of MicroMagic, one of the "dark-horse" Marketing Successes. Few people had heard of the brand in 1986, but just ask ConAgra, Hormel and Oscar Mayer about it today. These are the companies that are now trying to get into the category that formerly to-the-trade-only food supplier J.R. Simplot pioneered. It brought out a line of microwaveable burgers, fries and shakes under the MicroMagic logo and watched fast-food addicts gobble the stuff up.

Don't miss the article on Nintendo, either. Though the video-game market had crashed from $3 billion in sales to $100 million by 1985, Japan-based Nintendo was convinced there was still joy in joysticks. At the market's lowest ebb, they surged in with what they believed to be superior products and almost singlehandedly built the video-game market back to $2.3 billion in sales.

All the stories are illustrative and entertaining. Sit back and see ingenuity at its best, from concept to media plan. And see also how hard work can sometimes be rewarded. ■

PICKUP ARTISTS

GM finds that the action is in trucks. A hot new model, combined with brassy marketing, has put the automaker on top.

by Rebecca Fannin

H Ross Perot might even be surprised. As a Texan, he probably wouldn't blink to learn that full-size pickup trucks — not sexy little sports coupes or sensibly staid "family" cars —are the nation's first and second top-selling automobiles. (Ford Motor Co.'s Escort model is third.) But as a very public, very needling critic of General Motors, he might well scratch his head over the fact that his nemesis has managed to topple Ford Motor Co.'s ten-year-old record as Pickup King — and in very high style, to boot.

Yes indeed, though we all may think America's love affair with cars means hot little numbers like Corvettes and convertible Mustangs, there is, in fact, a heck of a lot more action going on in pickup trucks. Specifically, in GM's C/K and Sierra models.

Last year, GM, which has been roundly booed for being a change-resistant, sloppy marketer, stunned the industry by bringing out a brand-new, from-scratch truck that was five years and $1.3 billion in the making. It had so many technological advances and car-like options that it attracted a crossover audience. Farmers and construction workers were suddenly vying with suburbanites for the full-size trucks — thereby opening up a potentially enormous new market. As a result, Ford got blown away. GM's new models (with a base price of $10,345) marketed by the Chevrolet division under the C/K plate and by GMC as the Sierra, increased truck sales 24% to 961,624 vehicles, revving its market share from 45.4% to a winning 49.8%. Ford, on the other hand, was left sucking wind. It managed only a 3% sales increase to 882,748 trucks, dragging its market share from 46.3% to 44%, according to figures compiled by Ronald Glantz of Montgomery Securities.

GM's win is a biggie. For one thing, it has spotlighted the shift going on in the overall market. Compact Japanese trucks, which had enjoyed big sales surges for most of the decade, fell 7% last year. Meanwhile, heavy-duty, full-size pickups, which are made by only three domestic manufacturers, reversed their decline and sped forward by some 9%.

But more personally, the C/K and Sierra's success has given GM its first bit of good news in a long while and proven to the company, employees, dealers and the world at large that the Detroit colossus had not lost its touch. For over ten years, Ford's pickup truck benefitted from the perception that it was the most reliable and durable model around. And Ford's edge grew each and every year because the competing GM model was an outdated, 16-year-old design.

GM finally bit the bullet and brought out a sleek truck that has improvements like a rear-wheel, anti-lock brake system that prevents skidding on sudden stops and niceties such as power windows and air conditioning. It built a brand-new sophisticated — but cost-efficient — plant to ensure the design translated into a quality vehicle and began an

At GMC, advertising's Bill Middlekauff (center) and Eddie Messenger (seated) went after leisure truck drivers. Helping at McCann-Erickson were James Ramsey (right) and Mike Wilberding (left).

The team behind the truck industry's first comparative campaign: Chevrolet advertising manager Candace Robbins, with Lintas' (left to right) Sean Fitzpatrick, Lou Schultz and John Barczyk.

PHOTOGRAPHS BY PETER YATES

aggressive advertising program to lure dealers and buyers. Furthermore, when the marketing and advertising strategy hit some bumps early on in the launch, GM uncharacteristically listened to the market. It applied the brakes, shifted into reverse, made adjustments to its route and accelerated fast. "GM did a great job on their trucks," says Chris Cedergren, an industry analyst with J.D. Powers. "By making the truck car-like, GM's been surprisingly successful."

Determined to regain pickup truck leadership, GM also made some revolutionary marketing moves. It launched the first comparative advertising in the pickup-truck business. It gave the model its first upscale positioning and even gave the truck a name, Sierra — another breakthrough. The company also researched this particular model more than any other GM pickup. Media buys were highly selective, including lots of print support as well as regional spending. And dealers got sales training like they had never seen before.

"They invited us for a week to Tucson, and we got to drive around in the pickup truck with the engineers," tells Lawrence Marshall, owner of a Chevrolet truck dealership near Houston. "I've been a dealer for 20 years, and I've never seen such a fine new piece of equipment."

Moreover, the truck's success already has had an impact on the bottom line at GM, according to analyst Glantz. "I'm estimating that this sales increase of $1.7 billion (at the factory level) during 1988 helped pre-tax earnings to rise by $445 million," he figures. With the opening of a highly-efficient manufacturing facility in Fort Wayne, Ind., additional cost-savings should accumulate. "It costs 22% less per vehicle to build," says Glantz, adding that warranty costs for the more reliable model should also be lowered by 28%.

Another important element in the success was that each division chose separate marketing strategies. Chevrolet charged after the commercial market — farmers and construction workers who represent the heart of the pickup-truck businesses. Meanwhile, the GMC division, which only makes vans, sport utility vehicles and compact pickups, took out after the personal market. This has been a small (about 15%) but growing subsegment of the business and includes drivers who would just as soon be at the beach as at the lumber yard. The effect was higher total sales for the corporation without compromising

the Chevrolet C/K's image as a tough truck.

Typically, Chevrolet has reserved the commercial target as its own. That's a natural fit because Chevrolet sells trucks through Chevy dealers, and those dealers primarily cater to lower-income, less-educated groups.

Even though the outcome makes it look easy, Chevrolet had serious problems from the start. Chevrolet quickly found that the new pickup's aerodynamic styling could be a flaw. Instead of looking rugged and tough, consumers thought the truck — compared to Ford's and the previous Chevy model — looked like something only a sissy would drive.

Needless to say, this was a major problem. Farmers and construction workers needed a truck that was both macho and high-performance. Chevrolet and ad agency Lintas Worldwide had to scrap the first $70 million campaign after only five months. The initial approach was more educational. It highlighted the truck's innovations by isolating individual features in an ad sequence leading to the truck's complete assembly.

But the message of leanness and meanness was getting lost. So Chevrolet addressed the problem directly by breaking the truck industry's first comparative advertising. "We didn't want to bad-mouth their truck," says Candace Robbins, Chevrolet manager of truck advertising. "But we found that we had to demonstrate that this truck is tough, and that in addition to that, it is superior to Ford's."

"The comparative advertising was great," says dealer Marshall. "It did reach the public, and it brought us back into the homes. It was much more aggressive, and we needed to do that."

AD EXPENDITURES '88:

GMC SIERRA-CHEVY PICKUP TRUCKS	BAR NETWORK TV ($000)	BAR SPOT TV ($000)	BAR CABLE TV ($000)	BAR SYNDICATION ($000)	BAR NETWORK RADIO ($000)	RER SPOT RADIO ($000)	LNA MAGAZINES ($000)	LNA SUNDAY MAGAZINES ($000)	MR NEWSPAPERS ($000)	LNA OUTDOOR ($000)
1987 TOTAL										
GMC SIERRA $12,760.3	$4,881.7	$3,910.6	$746.1	$96.0	--	$306.2*	$2,813.8	$5.9	--	--
CHEVY PICKUP TRUCKS $10,783.5	--	--	--	--	--	$96.7	--	--	$10,686.8	--
JANUARY-SEPTEMBER 1988 TOTAL										
GMC SIERRA $6,440.1	$61.8	$2,911.1	$243.2	--	$4.6	$668.2*	$2,551.2	--	--	--
CHEVY PICKUP TRUCKS $3,254.6	--	$16.3	$6.4	--	--	$163.8	--	--	$2,953.0	$115.1

Source: Broadcast Advertisers Reports (BAR), Radio Expenditure Reports (RER), Leading National Advertisers (LNA), Media Records (MR).
**Spot radio figures represent spending for all GMC trucks.*

Ford, naturally enough, is a bit snappish about the whole thing. "They did take a more aggressive approach, but we haven't gotten into that," huffs Bill Glick, marketing manager for Ford's pickup sales. Ford had cornered the market for being the toughest truck with its tagline, "Built Ford tough," and shortly before the Chevy launch, Ford reskinned its pickup truck. But Chevrolet ads poked fun at the small number of minor changes that were made. "We continue to have the highest repeat purchase rate in the business," defends Glick.

"We did more extensive research on this launch than any others."

In fairness, Ford's F-series pickup continues to be the top-selling model, with 584,169 unit sales. But the C/K's sales jumped 62% last year to 420,727, closing the gap on first place. (GM combined sales exceed Ford's.)

To make sure that consumers understood that not only was the Chevrolet truck brand new, but also superior, Lintas' media department went to work developing some innovative and (hopefully) intrusive buys. Shortly after the launch, Chevrolet ran a nine-day series of 15-second commercials every half-hour. A similar newspaper execution ran for seven days consecutively in 30 markets. Sports sponsorships were also a key way of reaching male buyers, according to Sue Chisholm, vice president and associate media director. Among them: NFL, NCAA basketball and baseball's playoff and World Series Chevrolet sponsors fishing shows on cable as well.

Merchandising and sales promotions have been instrumental in the C/K's success, too. Chevrolet sells videotapes that use editorial from a Public Broadcasting program, *Home Time*, that it sponsors. The tapes, which sell for $9.95, cover common household repairs and are available at home-center stores. At least 1,000 tapes, which include commercials for the C/K, have been sold.

An unusual tie-in promotion with Procter & Gamble products also stirred some interest. Some 2.5 million customers came into Chevy dealerships with keys they had received in P&G brands to see if they were winners. Some 300 new pickup trucks were given away as prizes.

Regional media buying as well helped to perk up buyers. The Southwest in particular was singled out for spot radio and spot tv commercials, as well as selective magazines like *Texas Fisherman* and small-town newspapers.

Meanwhile, at GMC, the pursuit was on to capture truck drivers who could be found fishing, hunting and camping. GMC sells trucks through Buick, Olds-

mobile, Cadillac and Pontiac dealerships, which attract a more upscale buyer than their Chevy counterparts.

Buried within the strategy was an emerging market that no truck manufacturer was targeting. "We found that there were buyers who were using trucks almost as a substitute for a car," explains Bill Middlekauff, GMC's national advertising and publications manager. "We did more extensive research on this launch than any other, and what we were finding was that there is a market of 1.1 million traditional car buyers who were buying trucks," reports Middlekauff. "That is a huge number when you consider that the light-duty truck market is 5.2 million." In fact, dealers report that this pickup truck has also proven popular among women. "We are seeing young girls coming in who are just starting a job," says Al Dittrich, a GMC dealer in Detroit.

Convinced, GMC and ad agency McCann-Erickson unveiled the first campaign that spoke to potential truck drivers who might just as well own a BMW. That was one of the reasons that GMC actually took the step of naming the truck the Sierra. "We felt that it conveyed a prestige image," says Mike Wilberding, senior vice president and management representative for GMC at McCann. The agency selected the name, which had previously been only a trim-level description of the most expensively equipped truck model, from 20 other finalists.

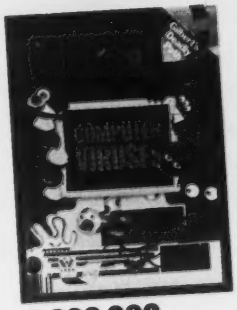
McCann also made the bold decision to create an advertising campaign that professed that this was the truck that is not just a truck anymore. To enhance that appeal, the agency featured a good-looking character dubbed the "easy guy."

But this was somewhat of a misnomer since this was one hard-to-please fellow. All the signs were in the print ads and television commercials: He wore blue jeans, but topped them off with a suede jacket. And besides his GMC pickup, he owned a classic Corvette and a high-priced Cadillac. "We were the first to recognize that trucks were showing up at country clubs and beaches," says Wilberding. "What we were trying to do was create imagery that would show this man as feeling like he was far more important than anyone else. We wanted to show that the easy guy is the man who deserves the best," he adds.

Even though that was a long stretch from GMC's prior campaign, "Tough truck," the division was fairly confident it wasn't a mistake to try a softer approach. Middlekauff relates that GMC trucks have a history of being regarded more like status symbols than competitive makes while sharing a reputation for being extra tough. "There

LARGE

5,500,000


4,300,000

3,000,000

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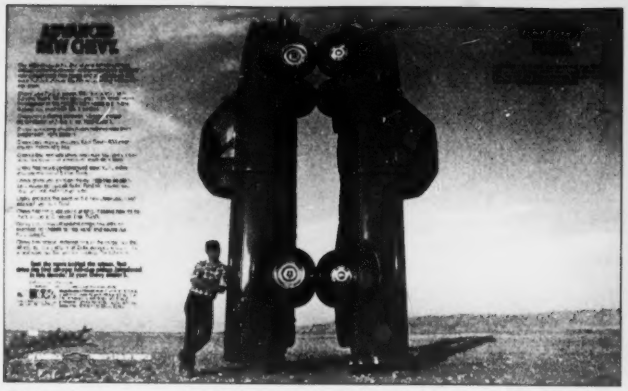
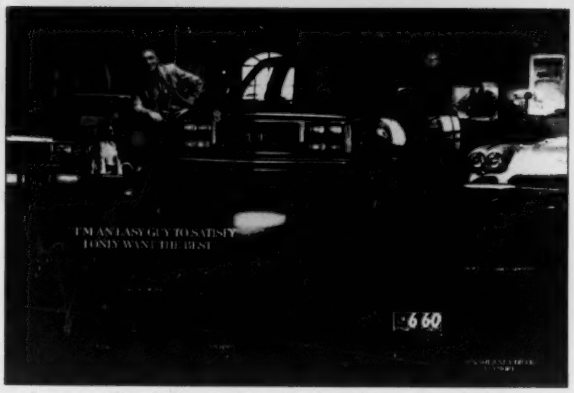
Circulation: Rate Base





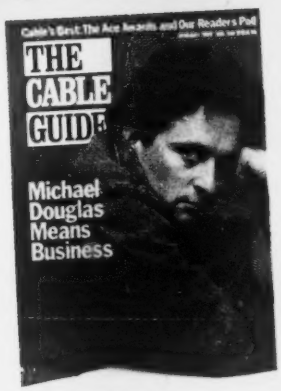
Opposing strategies helped to build total sales. Chevrolet proved to macho drivers that the Ford truck paled in comparison. GMC performed with the market's first upscale advertising.

was some concern that it wouldn't be perceived as tough or rugged, but you know that you can't fool the public," says McCann's Wilberding. "If the product really is tough, then consumers will know it."

To reach GMC's selective target, the media schedule favored a heavy list of specialized magazines. Publications that reach outdoor enthusiasts got four-page inserts for the launch, followed by spreads and single pages. Magazines got 60% of the $18 million budget, and the remainder was allocated to prime-time television and network sports. "Because we didn't have a huge budget, we decided to concentrate our funds in only two media," explains Steve Olsen, vice president, account supervisor for McCann Direct, who worked on the launch.

As the introductory pace slackens off, General Motors is looking to slice budgets. For instance, the GMC division has cut television out of the schedule, and Chevrolet is looking for high-impact yet less expensive options like videotape advertising. Right now, GM is in pickup heaven. It proved a lot in '88 and knows lots of eyes are watching to see if it can continue to capitalize on its win. What do you bet, H. Ross? ■

X-LARGE



7,200,000

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Source: Fall 1988 MRI

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PRESTOBURGERS

Zap! From the mall to your microwave, J. R. Simplot brings home the burgers and redefines fast food.

by David Kalish

Talk about feeling anonymous. J.R. Simplot, a restaurant supply business most consumers never heard of, decided back in 1984 that it wanted to get into the livelier end of the market. So Simplot tried to make a big splash in convenience stores by introducing a frozen microwaveable french fry. What Simplot thought would be a sure-fire attention-getter (who doesn't like french fries?) turned out to be the company's best-kept secret. Despite eight years of research into a patented double-fry process that sucked excess moisture out of the crinkle-cut spud, the company from remote Boise, Id., could not convince tater fans its fries — sold under the brand MicroMagic — stayed crisp in the microwave.

Now gourmands might say, 'Who in their right mind wants to eat such fast food — and nuked, no less?' But J.R. Simplot stuck to its guns. Positive there was a market for such space-age treats, the company pulled the Big Switch, simultaneously withdrawing its spuds from convenience stores in 1985 and launching them into the more visible arena of Midwestern supermarkets. Just to be sure, Simplot repackaged the single-serve fries in larger three-packs that lent the product more shelf visibility and gave consumers three chances instead of one to perfect the cooking time that worked best for their microwaves.

Before one could say Escoffier, Simplot proved there is a mass market hungry for microwaveable fast food. Today, MicroMagic is the dominant force in the $180 million segment which it created. The company controls roughly 50% of all volume, with such yummies as fries, milkshakes and burger and chicken sandwiches that remain moist even after you bombard them with magnetic waves. The category, which grew about 33% last year, has now attracted the attention of such well-financed competitors as Geo. A. Hormel & Co., Con Agra Inc., General Foods and Campbell Soup.

No one asks who Simplot is anymore — at least within marketing circles. Though MicroMagic's red, black-and-yellow package now downplays the parent company's name after tests showed it might dilute the product's message of convenience and taste, Simplot is well known in trade circles as the $1 billion-plus supplier of potatoes to restaurants and fast-food outlets. In fact, Simplot is the main purveyor of french fries to McDonald's. But while consumers may still be in the dark about Simplot's identity, the culinary coup it pulled off has caught and held marketers' attention.

"What they've done is opened up a whole new market in the supermarket," reflects Calvin Hodock, senior vice president of Comart Associates in New York, an industry consultancy. "One of the keys to new-product success is the need to be first. They are product pioneers."

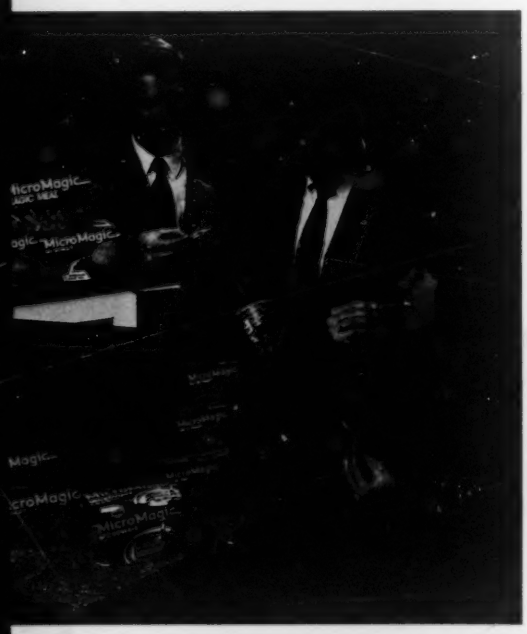
In 1988, in addition to making strong gains across the whole category, MicroMagic managed to regain lost dollar share from Heinz' Ore-Ida, taking back in part what had been stol-

en the year earlier when Simplot management was slow to roll out MicroMagic fries nationally. In the first nine months of 1988, MicroMagic upped its dollar share of the microwaveable potato segment from 27% to 42.5%, gaining on first place Ore-Ida, according to Nielsen figures.

During the same period MicroMagic's dollar share of microwaveable sandwiches increased from 13.4% to 19.5%, lengthening its lead on second-placed Hormel, with roughly 6%. MicroMagic's milkshake is the runaway leader in its $12 million category, with 80% dollar share.

In the process, the closely-held company successfully managed the transition from a commodity-only business to packaged-goods manufacturer. In three years, Simplot, which is family-owned, has grown into a savvy advertiser whose entry into the fickle world of consumerism has prompted a herd of me-too competitors.

The potential for growth is enormous in the category — best defined as microwaveable, frozen fast food. With 75% of American households now owning microwaves, according to the Good Housekeeping Institute, marketers see a huge market in consumers seeking to pare the time it takes to prepare frozen foods.



STAN SINCLAIR

It's Fryday in Idaho: Jacobson (left) and national sales manager Al Cope join assistant product manager and founding-family member Debbie Simplot.

MicroMagic

"They're really coming up with products that will go against the McDonald's of the world. The consumer has less and less patience in spending time going to the restaurant," says Nomi Ghez, a food analyst at Goldman Sachs.

Yet even if MicroMagic merely maintains its share, microwaveable potatoes are expected to dramatically increase from their current 6% slice of total U.S. frozen-potato market. Right now MicroMagic has only 3.9% of the overall category, IRI's InfoScan showed. The rest is split between 42% share-holder Ore-Ida and private labels.

"[Microwaveable] is not a flash in the pan," concurs Paul Bernish, spokesman at The Kroger Company, a Cincinnati-based chain of roughly 1,100 supermarkets nationwide. "It's a category with a great deal of potential in the light of two kinds of trends: More and more people are buying microwaves, and there's a strong preference for convenience items."

It was inevitable that Simplot's plunge into frozen microwaveable fare would prompt a flurry of competitors. On Simplot's heels, White Castle began distributing six-packs of its popular square burgers in roughly 40% of the country (previously the burgers were only available in supermarkets supplied by restaurant owners seeking to earn side money). Hormel, also smelling a trend, 18 months ago created a Frozen Foods division that has since launched the New Traditions microwaveable breakfast sandwich line and, more recently, three-ounce packages of microwaveable french fries. In addition, Campbell Soup has introduced soup-and-sandwich combinations; ConAgra is testing Zap burgers, chicken and fish sandwiches; and General Foods is testing Oscar Mayer Zappetites.

All told, introductions of frozen microwaveable products leapfrogged from 188 in 1987 to 297 last year, according to Marketing Intelligence Service's Productscan data base.

But it's one thing to spot a trend and another to capitalize on it. To help lead the company into a new era of consumer marketing, Simplot in 1987 hired Coke Foods brand manager Blaine Jacobson, a 33-year-old turk who'd proved himself by helping to expand Coke's Minute Maid product line. Jacobson began working 12-hour days alongside Simplot's general manager of retail John Kluding and national sales manager Al Cope. They built a 15-person Foodservice division from scratch and went through the painstaking process of hiring a nationwide network of 65 food brokers to peddle the product. The team helped adapt company systems such as product inventory control and even daily sales volume reports to the retail business. With a staff that was a skeleton crew compared to what he was used to at Coca-Cola, Jacobson was often forced to do things the hands-on way, designing promotional trade literature himself and personally hiring retail brokers.

A key element of Simplot's strategy was to consistently outfox the competition by getting new products to market in as little as eight months flat. "One of the sayings we have here is, 'It's better to be first than to be right,' " says Jacobson, Simplot's retail marketing manager. "I call that the cruise-missile approach — first you launch the missile, then you target where you want it to go. The course may not be exactly right, but at least you're in the market and you're able to make adjustments as you move along." With MicroMagic milkshakes, for example, Simplot raced to be first to get it into market early last year, then later revamped the packaging when it kept getting soggy in the freezer case.

Company executives boast they can

MicroMagic

take a product from conception to market in as little as 18 months — twice as fast as their competitors. In addition to coming out with the first microwaveable french fry, Simplot was first to bring out a hamburger "cooked" the same way and boasts the only microwaveable milkshake on the national market.

MicroMagic, the first to achieve national distribution in early 1988, has the highest distribution of microwaveable frozen foods, at roughly 95%. Jacobson likes to brag that an unsolicited supermarket chain in New York, a city notorious for rejecting new products, approached Simplot in late 1987 and demanded MicroMagic based on the brand's results in other markets. "Because we were first, we have more money to work on for marketing programs. Number two or three has to funnel money into slotting," he maintains. While conceding Simplot was forced to pay slotting allowances in certain chains, he adds, "We certainly didn't pay the full amount." Now Simplot has begun a major drive to convince supermarkets to stack boxes of the product alongside each other in "brand blocks."

In addition, MicroMagic's success is attributed to its technologically advanced recipes, whose ability to withstand zapping is considered the best in the category.

"They have a higher quality microwave french fry than any other around, and it is significantly better than the frozen variety," believes Hodock, the president-elect of the American Marketing Association, who helped direct this year's selection of MicroMagic as a 1988 winner of the AMA's best new product award. Plus, he adds, "No one has a milkshake around."

Simplot proved more than up to the task of convincing consumers its microwave-durable foods weren't merely something out of *Star Trek*. Last winter the company, at the urging of its marketing and public relations firm, Braff & Co., approved funds to sponsor a college dance called "Shake, Rattle 'n Roll" when it found out students weren't sipping its milkshakes — despite their higher-than-normal ownership of microwaves.

Moreover, MicroMagic was launched on an introductory ad budget that would be considered lean by today's food-advertising standards. Simplot, entrenched in the frugal tradition of non-consumer advertising, said it spent a total of $6 million on promotion and advertising in 1987; LNA/BAR lists $2.4 million on ads alone that year.

Budgetary constraints forced a quest for media efficiency. For spot television buys, its ad agency, Noble & Associates, rotated commercials during high-usage time periods. For example, french fries, not considered a late-night food, are advertised during fringe and daytime slots. Milkshakes, a late-night snack, and sandwiches, ideal for lunches and dinners, are advertised in appropriate slots. "Right now we are staying away from prime time — budgets and strategies are such that that's not as efficient," says Doug Ruble, account executive at the Springfield, Mo., ad agency.

To bolster the effectiveness of spot buys, Noble bought radio time in more than 60% of the country. Selecting markets like Chicago and Los Angeles, where commuters often spend long periods with their car radios, Noble ran frequent ads on the top three or four stations, rather than expanding the roster to include ten to 15.

Simplot, a family-owned business that encourages entrepreneurism and doesn't demand every new idea be backed with reams of research, is also quicker at getting its advertising on the air. Its new television campaign, for example, went from concept to airtime in a fast six weeks.

The frugal approach is standard business for Simplot. From the start, Simplot refused to spend fresh capital on new lines, instead choosing the more conservative route of funneling profits from, say, its french-fry line to bankroll the hamburger introduction.

In the wake of MicroMagic's sales success, however, ad spending is rapidly expanding. From a $3.1 million ad budget for all of 1986 and 1987, MicroMagic's budget was upped to $6 million last year. This year comes an even bigger boost — to $23 million.

Simplot for the first time in April buys time on network television, with fast-paced lifestyle ads urging consumers to "Give 'em MicroMagic right now." The themeline is based on a detailed national study by an Indianapolis-based research firm which showed the target audience — mothers whose families lead very active lifestyles — crave convenience but not at the expense of bad-tasting food.

For his part, Jacobson, a native Idahoan with blue eyes and golden-blond hair, has no regrets about leaving his fast-rising career at Coca-Cola for an uncertain future with a novice retail manufacturer. Indeed, little else has done more to put Jacobson's native Idaho on the map than the success of MicroMagic — with the notable exception of potato farming itself. ■

AD EXPENDITURES '88:

MICRO MAGIC

1987 TOTAL (000) **$2,352.4**

JANUARY-SEPTEMBER 1988 TOTAL (000) **$1,939.8**

	BAR NETWORK TV (000)	BAR SPOT TV (000)	BAR CABLE TV (000)	BAR SYNDI-CATION (000)	BAR NETWORK RADIO (000)	RER SPOT RADIO (000)	LNA MAGA-ZINES (000)	LNA SUNDAY MAGAZINES (000)	MR NEWS-PAPERS (000)	LNA OUT-DOOR (000)
1987 TOTAL	--	$2,352.4	--	--	--	--	--	--	--	--
JANUARY-SEPTEMBER 1988 TOTAL	--	$630.4	--	--	--	$890.1	$12.4	--	$406.0	$0.9

Source: Broadcast Advertisers Reports (BAR), Radio Expenditure Reports (RER), Leading National Advertisers (LNA), Media Records (MR).

GOING THE DISTANCE

MCI's coordinated marketing efforts for its various phone services have upped its numbers and put AT&T's confidence on hold.

by Frank Sommerfield

Long distance is just long distance, and AT&T is The Phone Company, right? That's how most people think — or at least thought. Last year, MCI Communications Corp. put a crack in that mindset. Through a savvy advertising campaign that portrayed a super-strong, sophisticated company, MCI convinced America that there are at least two phone companies. The communications company made a powerful pitch that long distance doesn't have to be just that; it can be a value-added service with an array of products and a hungry, innovative, young support staff. In short, MCI created a whole new world around its basic being, which amounts to little more than a network of wires.

It did this through a remarkably coordinated blitz of tv, trade and general print ads that were all enforced in a timely way with direct mailings and sales calls. The commercials, which all had a stylish look, targeted big-spending business customers and featured serious, successful but unpretentious go-getters who carried MCI's message.

"A lot of people believe that advertising is an indication of a company's mental health. We were feeling good," says Judy Ranzer, MCI's vice president for advertising. "1988 was a fantastic year for MCI advertising."

Those ads, meanwhile, helped make it a tremendous year for MCI. It has firmly established itself as the nation's number-two phone company. "Market share is going up and revenue growth is spectacular," says Jack Grubman, telecommunications analyst at PaineWebber Inc. Over the last two years, MCI has made inroads on AT&T's 70% strangehold on the market. Last year, MCI grabbed two more share points to hold 11% of the business. Sprint lags at 7%. Analysts project that MCI will report a 1988 profit of $320 million on revenue of $5 billion, up from 1987's profit of $60 million profit on sales of $4 billion. (Profits were slimmer in 1987 because the company had written down $7 billion in work on its network. The beauty of the long-distance business is that once the infrastructure is in place, costs are fixed and added revenue shoots to the bottom line.)

Glenn Pafumi, a utilities analyst at Robert Fleming Inc., says MCI will report a 40% increase in calling traffic for the final quarter of 1988, while AT&T will report only a 3% increase for the entire year. Such numbers put AT&T on the defensive. It answered MCI by changing its ads, billing procedures and product line, and it petitioned the Federal Communications Commission for permission to lower its business calling rates.

"AT&T seems to be learning a lot about marketing from MCI," says J. Dixon Byrne, senior vice president and account group head for Wells, Rich, Greene Inc., MCI's agency.

MCI wasn't always such a hot number. "Two years ago MCI didn't have '1-800' service and had real billing problems," says Fulton Holmes, vice president and utility analyst at Thompson McKinnon Securities Inc. "They weren't billing all the calls being made, and a lot of calls on peoples' accounts were

MCI

being made by crooks." Now many believe MCI's billing is superior to AT&T's.

Adds Jack Grubman, "MCI had a bad image through most of 1987. People thought they had lousy technology and were good just for price reasons. So they had a marketing task to change that. And the company did get better. It got a full sales force, improved equipment and the network and did creative things in terms of billing."

MCI's turnaround also has a lot to do with the way the company has promoted itself. The theme of the ad campaign — "Let us show you" — sent home the notion that MCI really does offer quality service and that its people know what sophisticated businesspeople want.

The campaign's basic premise — that MCI is a mature but aggressive company — was formulated at MCI headquarters in Washington, D.C., before Wells, Rich, Greene was hired in late 1987. MCI apparently wanted to get away from the upstart image fostered by previous television ads featuring a bicycle race and a squash game. "Those ads got to be sort of stupid," says Grubman.

Ranzer asked the Wells, Rich creative people to spend time at MCI staff meetings and in the field so they would get a sense of how MCI had stepped up customer service. Clients and perspective clients are called on once a week. Analysts say AT&T salespeople barely get around to calling once a month.

The result of the visits were ads like the one called "The Sales Representative." A camera on the exterior of an upper-floor office window shows a lean MCI salesman walking into a customer's suite. The voice-over is, "Most people can't write down the name of the sales rep from their long-distance company." The implication is that MCI customers can. "This ad, one of the first in the campaign, sets up the premise that there's a better way to run a long-distance company," says Byrne.

The sincerity of the ad's button-down characters enabled the theme to be expanded as the campaign went on. An aura was created around the phone business — particularly MCI's phone business.

"They play up MCI's service and billings systems, which are a little better," says Grubman. "Otherwise there's not much difference between them and AT&T."

THERESA ZABALA

Judy Ranzer sent the agency into the field to demonstrate their commitment to customer service.

The tv spots are amplified by matching print ads. "Tv was the head turner, and print was more specific," says Ranzer. She says mid-level managers who were responsible for telecommunications decisions were made aware of MCI through television and then bombarded by striking, full-page ads in the trades. These feature large, catchy sayings, such as "Who's following whom?" accompanied by a column of technical, explanatory text.

"Then we talked to high-level business leaders with ads in publications like the *Wall Street Journal* and *Business Week*. We wanted these people to understand we're a financially sound, technically advanced company," Ranzer adds. One ad for the general business press shows the well-clad feet and legs of an executive perched on his desk while talking on the phone about MCI: "So I called 50 of their customers. They were even more enthusiastic than the damn company."

One thing MCI and Wells, Rich succeeded in doing was creating the impression that innovative telephoning products exist. Considering that all MCI really has is wires, this required creative packaging talent at MCI headquarters and subtle salesmanship abilities in the Manhattan offices of the agency. "A calling product is really nothing more than how you price a call or group of calls and how you structure bills," says Fleming's Pafumi.

MCI customers are now jumping on the bandwagon to sign up for Prism I and Prism II calling, which are dressed-up WATS packages. Is MCI's new 1-800 service better than AT&T's? The man in the tv commercial, who says his telephone is his store, manages to be convincing when he says MCI's 1-800 service has made the store busier; the follow-up trade ads tell why the service gives "more flexibility and more customization."

Such marketing efforts weren't limited to the phone service, either; MCI's other offerings received equal attention. The company and its agency embarked on a coordinated effort to make the MCI calling card "America's Business Card." In one commercial, nearly everyone at an international airport is making crucial calls with the card; in another, a man says the card is invaluable because his calls are all billed to his office phone.

The card push was reinforced by slick magazine ads. One features an attractive businesswoman wearing sunglasses, talking on a pay phone and

writing in a very jammed Filofax while she holds her MCI card in her mouth. The caption: "Call . . . for the same price as if you were calling from your desk. So now you can have the biggest office in town, because the town is your office."

This campaign was capped off by an "event." MCI mailed a Lucite briefcase containing a live MCI card to top business executives. About 30% of them used the card. Then another mailing offering a free card went to another set of executives. A quarter of them ordered the cards. Both mailings were followed up by calls from MCI sales representatives. "We took a product that wasn't new or hot and gave it a full dimension of exposure," says Ranzer.

MCI's most lavish marketing campaign was for its MCI fax service. While the company calls it the world's first dedicated fax network and says it transmits faster and renders higher quality copies, observers say it's little more than conventional fax service on MCI wires. "Instead of saying, 'Yes, we have fax,' they've packaged it more creatively and added a little sizzle. It's very smart," says Grubman.

The blitz started on election night with a series of puzzling 15-second commercials. They showed business people plotting something secretive — possibly sinister. The evening culminated with a longer spot explaining it was revolution that was being planned — a fax revolution.

The night's tv ads were followed by a two-page spread in the *Wall Street Journal*. One page said only, "What a beautiful day for a revolution." The next page elaborated. Subsequent ads in the *Journal* explained MCI fax's "speed," "value" and "quality." There was a coupon on the bottom of the ads that readers could fax to MCI for more information. Each day about 500 readers did just that.

Leading National Advertisers Inc. says MCI spent $24.4 million on network advertising and $4.9 million on magazine advertising January-September 1988, compared with $11.4 million on network and $6.1 million on magazines in all of 1987.

Close contacts between the MCI marketing staff and the company's sales force helped the overall MCI campaign translate to increased market share. Throughout the year, as ads broke, marketing executives hit the road and presented detailed explanations to sales offices in major cities.

One sure yardstick of MCI's recent marketing success is AT&T. It is responding furiously to its competitor's gains, through advertising efforts and the way in which it treats its customers. "I don't see how anyone with a straight face can say that the competition hasn't had a significant impact on how we advertise and operate," says Burke Stinson, district manager for AT&T headquarters in Manhattan.

AT&T is now trying to show that it, like MCI, offers impeccable customer service. Current tv spots have company employees talking about the high level of dedication among its ranks.

In the past 18 months, Stinson says, AT&T has transferred 2,500 behind-the-scenes employees to line positions that require customer contact. The company has recently petitioned the FCC to lower a number of business rates, including the prices it charges hotels, a market MCI has been particularly successful at penetrating. AT&T developed ProWATS products to compete with MCI's Prism products. The larger company will soon offer business customers more detailed billing.

Some believe that AT&T is taking such drastic steps that MCI will have to re-double its marketing efforts again this year. "AT&T has signaled it won't take any more market erosion," says Thompson McKinnon's Holmes. MCI, however, is likely to continue sending busy signals of its own. ■

AD EXPENDITURES '88:

MCI

1987 TOTAL (000) **$33,892.5**

JANUARY-SEPTEMBER 1988 TOTAL (000) **$32,074.5**

	BAR NETWORK TV (000)	BAR SPOT TV (000)	BAR CABLE TV (000)	BAR SYNDI-CATION (000)	BAR NETWORK RADIO (000)	RER SPOT RADIO (000)	LNA MAGA-ZINES (000)	LNA SUNDAY MAGAZINES (000)	MR NEWS-PAPERS (000)	LNA OUT-DOOR (000)
1987	$11,357.1	$74.8	--	--	--	$2,205.3	$6,184.5	$106.2	$13,964.6	--
JAN.-SEPT. 1988	$24,403.3	$233.8	$6.8	--	--	$1,467.9	$4,910.3	$60.4	$992.4	--

Source: Broadcast Advertisers Reports (BAR); Radio Expenditure Reports (RER); Leading National Advertisers (LNA); Media Records (MR).

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CREAM DE LA CRÈME

Look over your shoulder, Coke and Pepsi. Tiny A&W has some surprising big hits.

by Rebecca Fannin

What do you do if you're in a business where your two chief competitors control 70% of the market and have left a trail of dead or bloodied rivals as they fight to the death for every last share point? The answer for one soft-drink marketer has been to duck out of Coca-Cola's and Pepsi-Cola's way and to mine the niches.

A&W Brands Inc. has become perhaps the unlikeliest success story in the chaotic $26 billion soft-drink industry by hunting for big "small" opportunities and successfully wooing bottlers. It also has stretched its tiny ad budget by looking for specialized events or media where it can make an intense, concentrated impression.

For A&W, all this has come together best with its recent introduction of sweet tasting, vanilla-scented cream soda. Known for its root beer, A&W took a gamble and brought out the first nationally-sold cream soda in 1987. Backed far more by good marketing sense than financial muscle, A&W wowed bottlers and consumers alike by doubling the market for the specialty drink to $400 million. Not only has cream soda proved to be a winner that bottlers and supermarkets are vying to carry, but all of A&W's new-found sales have been incremental. Its flagship root-beer brand is stronger than ever.

Though total soft-drink industry sales rose 4.5% last year, A&W's bubbled up by 25% to $100 million. Cream soda accounted for 40% of the gain, but root-beer sales were up 11% as well. In the process, A&W lifted its total share of market from a 1.6% sip to 2%. Though that number is hardly enough to make Coke or Pepsi tremble, as their overall corporate shares are 40% and 31%, respectively, individual brand performances highlight A&W's progress. For instance, A&W's root beer, which accounts for one-third of all such flavored sales, is now right behind the 20th largest-selling brand, Cherry Coke. A&W cream soda has leaped on the charts out of nowhere, slurping up 0.4% of all sales (and half of its category's volume), making it the 32nd largest brand.

"A&W used to be a sleepy company, but they have proven themselves to be smart managers and marketers," praises Emanuel Goldman, an industry analyst with PaineWebber. Agrees Michael Bellas, president of consulting firm Beverage Marketing, "They have done a wonderful job in launching cream soda — it was almost a perfect introduction." As he points out, not only has cream soda found an audience, "but it hasn't cannibalized their root-beer business."

A&W's strong sales performance has translated into handsome profits. The company's net income soared from $1.5 million in 1987 to $7 million in 1988. As a result, investor confidence is growing. The company's stock price is topping $18 a share, up from $11 in mid-1987.

"A&W's success is the most unexpected in the business," observes Bellas. That's hardly an overstatement. Few companies

could have survived — much less flourished — following A&W's jagged path. Over the last six years, the White Plains, N.Y.-based company has had four changes in ownership. United Brands took a swig at it, followed by Castle & Cooke and then two venture capital firms. In 1986, A&W joined with Hicks & Haas, a buy-out specialist that also has stakes in Seven-Up and Dr Pepper, to do a leveraged buyout. A year later A&W went public, with Hicks & Haas keeping a 16% stake and A&W management, 7%.

This last incarnation seems to have done the trick. A&W Brands, which started life 70 years ago as a hamburger and root-beer chain, is basking in hard-won glory. "The small guys normally don't get a lot of press, so I take a lot of personal satisfaction in our recent success," says Mike Weinstein, vice president of marketing.

A&W's culture began to change at the beginning of the decade when M.L. Lowenkron was recruited from Cadbury-Schweppes as chief executive. Weinstein joined a year later from Pepsico. The two began to cultivate relations with bottlers, who weren't so keen at pushing ever-sluggish root-beer sales. Besides picking up national advertising costs, the two promised bottlers flexibility in timing regional promotions and a willingness to listen.

Weinstein and Lowenkron also set about considering what beverages they could add to the A&W lineup. Under private ownership, A&W had been treated as a classic cash cow, according to analyst Goldman. But with the buyout complete, A&W went to work at a hectic pace. In 1986, it rolled cream soda into tests and acquired Squirtco, which produces a grapefruit soda, Squirt, that is available in 60% of the country.

Marketing's Weinstein curried favor with consumers, supermarket buyers and bottlers.

The following year, A&W purchased Vernors Inc., a ginger drink sold mainly in the Upper Midwest. "Most companies, when they go through a leveraged buyout, sell off assets and fire people," says Weinstein. "But we did the opposite. The whole time, we were pretty confident with what we were doing."

That's surprising, because A&W's moves were fraught with risks. First, A&W had to make sure that it made sense for its image to be associated with a cream soda. Secondly, management had to be darn sure that a cream soda wasn't going to eat into root-beer sales. "We didn't want people to think that this was like root beer with cream," says A&W's Weinstein.

Once these decisions were made, A&W had to worry about how cream soda was going to be distributed. Supermarket buyers, fed with an avalanche of new flavors like Cherry 7Up and a seemingly infinite number of Slice variations, were none too gung-ho about taking on yet another flavor. And A&W, unlike Coke and Pepsi which own several bottlers, had to line up independent bottlers. There was also concern about how to afford the millions to launch a new soft drink.

But A&W looked upon these problems as opportunities. Its optimism grew out of the belief that A&W had developed a brand that replicated the rich taste of the old cream sodas.

Beginning in mid-1985, the company hired Bruskin Research to find out whether consumers liked the taste of cream soda, whether it would fit with A&W's quality, traditional image and complement its root beer. "When people tasted it, there was this incredible reaction, 'Isn't this great!' " says Jill Mizrahi, director of brand management. "Then we found that people thought it most likely was made by A&W. And what was really surprising was that we were finding that there would be hardly any cannibalization [of the root beer]," she adds.

With a go-ahead on all fronts, cream soda moved into test market cities Fort Wayne, Ind., and Ogden, Utah, in mid-1986. But the company moved cautiously. "We didn't want to have the product in test market for only three minutes and then roll it out," says Weinstein. "We wanted to learn something." The company switched from radio to tv commercials during the test markets when volume proved too low. With tv spots, says Mizrahi, "we got a 64% trial rate and over 80% in repeat purchases. That's when we knew we had a hit."

Once the news reached A&W bottlers, they began pressing for the chance to sell cream soda in their markets. A&W complied, and by fall of 1986, the cream soda was available in 10% of the nation. In 1987, A&W expanded it to 45% coverage and by the spring of last year, it was national. "I think they made a good strategic move," says competitor Brent Goddard, a marketing manager at Shasta Beverages. "Al-

JOYCE DOPKEEN NYT PICTURES

though they don't have the huge sums of Coke or Pepsi, they did a good job with the launch."

Regional competitors claim their brands haven't suffered as a result of the new A&W brand. "We're glad they're spending money on this beverage," says Shasta's Goddard. "It has helped our sales to go up too." With the introduction, however, market shares have shrunk. Shasta, the second-largest brand name in cream soda, has 6% of the market. Other major players such as Dr Brown's have about 4%. Private label brands control 30%.

Winning over the bottlers — two-thirds are either Coke or Pepsi affiliates — was helped by the traditionally strong relations the company enjoys with distributors. "While A&W is a minor player, they are a great niche player in that they are leaders in their flavor segments," says Tom Foristel, vice president of marketing for bottler Coca-Cola New York. "A&W cream soda is one of the great successes of any new product I have been associated with," he continues. "They identified an opportunity and went after it."

It doesn't hurt the relationship that A&W has historically paid for national advertising. Bottlers only chip in for spot radio. "That way we can avoid arguments over where the money should be spent," says Weinstein.

No bottler complaint is seemingly too small for A&W's attention. When bottlers said they couldn't tell the difference between cream soda and root beer when it was stocked in the corrugated trays, A&W changed the packaging for cream soda, adding an eye-catching banner to the logo.

Similarly, A&W has cultivated the supermarket buyers. Aware of the stores' money maker, A&W placed point-of-sale material at the deli section that promoted cream soda with a Dagwood-like sandwich.

Another way A&W got leverage was by favoring sampling programs over heavy couponing. Concerned about staying within budget, the company only ran one introductory coupon offer for each market. Instead, big bins full of 19-cent sample cream sodas were set up in stores.

Of course, slotting allowances or payments by the bottlers to encourage the store to stock the product were also routine. Foristel says that major chains were given five free cases for every package delivered to individual stores.

With only a $10 million advertising budget, A&W had to plan carefully how to stretch it. "We try to be more creative with our budgets, to do something out of the ordinary," says Nancy Schneider, vice president and associate media director at Della Femina McNamee, A&W's ad agency since 1971.

One way to do that is to spend from April to September, a period when soft-drink sales peak. A&W aims for high impact network television, cable and syndication. There has been no print, except for coupon delivery through free-standing inserts.

Spokesman Bill Sanderson (Larry of *Newhart* fame) conveys the A&W image — unpretentious and down-home. Sanderson touts both root beer and cream soda to establish continuity and get efficiencies.

But A&W goes for bigger ideas as well. Last year, for example, with the savings of a relatively soft upfront market, A&W allocated $1 million in tv commercials to run during the week of August 22. "When you're not a major player, you have to figure out ways to stand out," Schneider explains. In a similar move, A&W ran 35 spots on one summer Sunday, dubbed Cream Soda Sunday. "If you were watching tv that day, there was no way you could miss a commercial," she says.

Wrestling sponsorships haven't been above A&W's reach either. For cable's wrestling fare, cream soda sponsors a 30-second vignette where slams (when a wrestler gets thrown down to the mat) from the weekly matches are replayed. For a month, new spots from different matches are aired. Viewers are asked to call in a 900-number to vote which slam is the most powerful. "Wrestling fits our image well. We're not Rolls Royce," adds Schneider.

With cream soda's promising start behind, this year A&W has set its ambitions higher. Next on the agenda is the strong possibility of taking Squirt national and expanding rootbeer sales overseas. "We are on a roll, and we're not quitting soon," promises Weinstein.

Cream soda won't be left behind. The company is ambitiously aiming to increase trial of the drink. In the spring, A&W plans to run a national promotion that is unified with the national advertising. Point-of-sale displays created by A&W's promotion agency, Comart Associates, will feature the ad spokesperson. And there is a big opportunity here because, according to Mizrahi, 71% of all Americans have tried a cream soda, and 57% have sampled the A&W brand. But it is the repeat purchase rate that has Mizrahi's calculator clicking. She notes with satisfaction that 80% of those who taste A&W cream soda come back for more. ■

AD EXPENDITURES '88:

A&W SOFT DRINKS-- DIET & REGULAR	BAR NETWORK TV (000)	BAR SPOT TV (000)	BAR CABLE TV (000)	BAR SYNDI-CATION (000)	BAR NETWORK RADIO (000)	RER SPOT RADIO (000)	LNA MAGA-ZINES (000)	LNA SUNDAY MAGAZINES (000)	MR NEWS-PAPERS (000)	LNA OUT-DOOR (000)
1987 TOTAL (000) $7,239.0	$3,981.8	$2,429.4	$120.5	$266.7	--	$164.3	--	--	$276.3	--
JANUARY-SEPTEMBER 1988 TOTAL (000) $9,009.0	$4,856.9	$2,179.3	$505.3	$1,012.3	--	$55.5	--	--	$399.7	--

Source: Broadcast Advertisers Reports (BAR), Radio Expenditure Reports (RER), Leading National Advertisers (LNA), Media Records (MR).

A MODEL MAKEOVER

Never underestimate a good rivalry. Maybelline hasn't, and now it's on its way to regaining the lead from Cover Girl.

by Pamela Ellis-Simons

It happens to everyone. We get a little older, lose some of our edge, spread in some of the wrong places and just kinda get dowdy. It even happens to companies. Take Maybelline, for instance — a beauty marketer, no less. It had ignored the little sags and frown lines on its corporate face. There were even whispers that its drug-company parent, Schering-Plough, was ready to dump it. "It wasn't a consistent advertiser, it wasn't active in new products and the parent was not very aggressive," tells Bonita Austin, a cosmetic analyst with Wertheim, Schroder in New York.

The day of reckoning came in 1986, when Maybelline lost the industry's sales lead to arch-rival Cover Girl. That jolt made the Memphis-based company take a good hard look in the mirror. Not liking what it saw, Maybelline toned itself up, put on a new face and went to town, winning a lot of admirers along the way. Age, the 74-year-old mass-marketed cosmetic brand has proved, is only a state of mind.

Maybelline reorganized and revamped its dated image with a slew of successful new products that appeal not only to teens — its traditional target — but older customers, as well. Its advertising has been completely revamped, from the creative, which now features fresher faces and more compelling taglines, to the media strategy, which now embraces everything from print to cable to point-of-purchase radio.

The makeover is paying off in spades. Company sales spurted some 10% in 1988, estimates Diana Temple, cosmetic analyst for Salomon Brothers. Insiders say they'll better those numbers this year. Even more significantly, Maybelline is that close to retaking the lead in the $1.7 billion facial makeup industry. According to Nielsen data, by mid-summer the company had picked up almost one full market-share point to 19.5%, putting it only an eyelash away from Noxell Corp.'s Cover Girl 19.9%

take. "Its a real tough category to make any market share gains" in at all, notes an admiring Bonita Austin.

The two most responsible for whipping Maybelline back into shape are company president David Brittain and Gary Mulloy, who has recently been promoted to senior vice president and director of marketing, advertising and research. Previously, he held the plain-vanilla title of marketing vice president. The two work so closely together that when Mulloy caught the flu in February, Brittain reportedly said he'd be ill the next week. In the industry, Brittain is credited with building Maybelline from an ugly duckling brand then-Plough Inc. bought 20 years ago to the swan it is today. "They are a good balance of old- and new-guy attitudes" says an observer of the team. Indeed, Brittain is nearing retirement, and Mulloy is the heir-apparent.

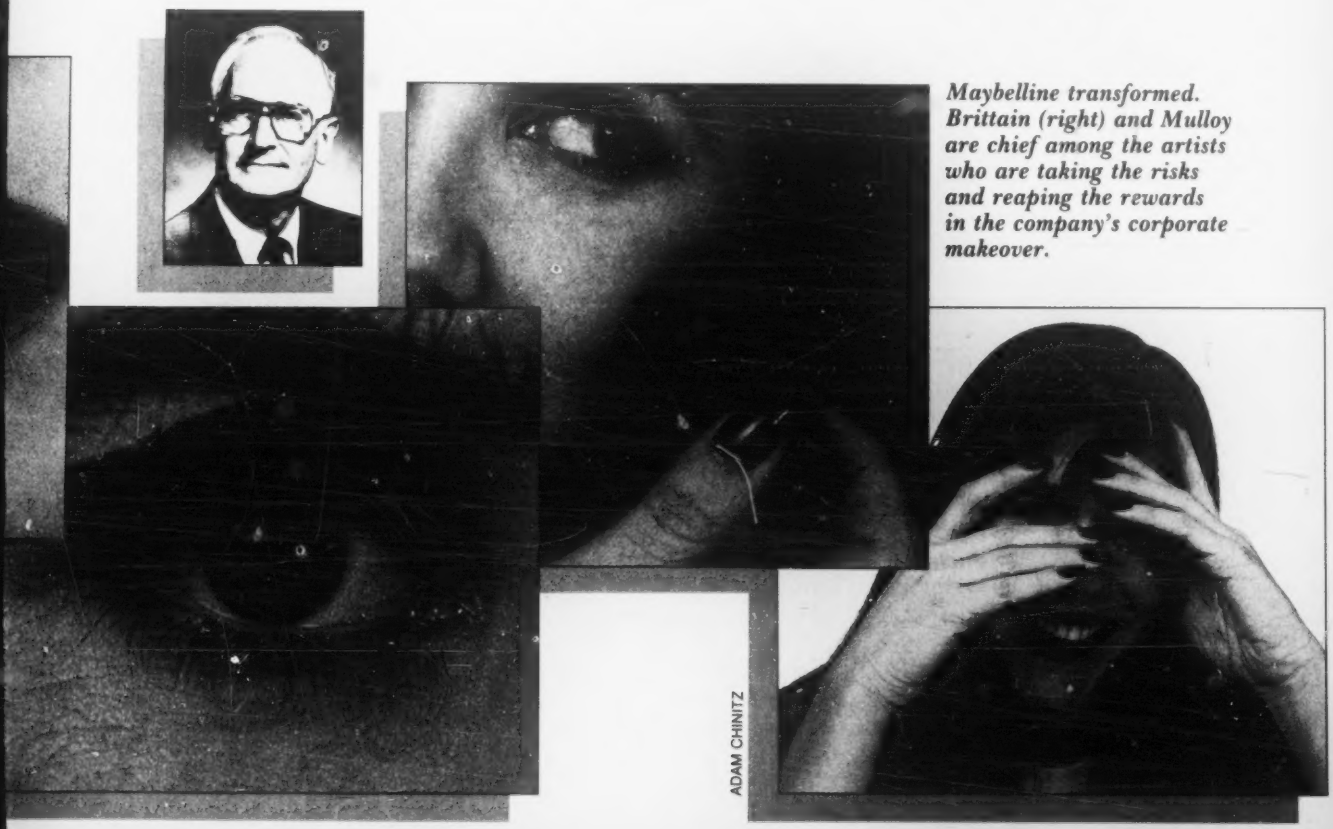
Mulloy himself is quite candid about Maybelline's previous errors. "We had stopped taking the chances we should have," he says. "We had a too-serious view of the business and took the fun out it." Turning it around, he adds, meant a "recommittment to what had made the company successful in the past — new products, a good level of risk taking, innovative promotions, being unconventional. Those are the keys to success."

Maybelline has been using those keys to unlock every consumer and retailer door. For example, one of the more unusual — and sales-pleasing — promotion events occurred when colored mascaras were all the rage a short while ago. Maybelline offered trial-size mascara in 12 colors and had such a huge sellout that the company did it twice.

At the same time, Maybelline researchers have been in a tizzy creating and packaging new products. Marbelized eyeliners and caked powders were introduced as a full palette of shades, which made up for some glaring omissions. Last year's Perfect Pen brought a soft-tip felt pen to the eyeliner world, while Cream-on Shadow and Performing Mascara offer longer-wear performance. And for busy women on the go, who have to stuff everything into teeny Chanel handbag knock-offs, small-sized packaging was made available.

Maybelline is making other product news. The company has long been eyeing the success many of the upscale brands have had in marketing "cleaner" cosmetics for those with allergies or sensitive skins. When Clarion, sister brand to Cover Girl, hit a nerve with such a positioning, Maybelline reacted. Rather than develop a separate line of Maybelline cosmetics for this market segment, the company decided to make all its products dermatologist- and opthamologist-tested. By mid-year, the process should be complete, and Maybelline ads will soon tout the unique all-products positioning.

Mulloy says the company "is working on a number of other things" and has broken ground for a purely exploratory research laboratory to look at major ingredient and formula innovations. Although all the research will be done for and by



ADAM CHINITZ

Maybelline transformed. Brittain (right) and Mulloy are chief among the artists who are taking the risks and reaping the rewards in the company's corporate makeover.

Maybelline

Maybelline, Mulloy notes that sometimes the company does share information with its drug-company parent. "Their affiliation with Schering-Plough gives them an unmatched capability in research for a mass-market brand," says Temple of Salomon.

According to observers, Maybelline's makeover was more than skin-deep. They also completely reorganized the company into teams of sales, packaging and research personnel, making these key decision-makers better able to jump on new fashion colors, trends and "in-and-out products." Maybelline makes members of agency DDB Needham Chicago part of the process by issuing them "Team Maybelline" passes with their pictures on them. "It's a spirit, an attitude of trust," says one observer.

Maybelline continues to work on products that broaden its appeal from its strong teenage base. Historically a mascara house whose products were found in five-and-dime stores, Maybelline extended into lip, face and nail products in the late 1970s. But lately, it has released new products that appeal to an older consumer. The Moisture Whip line was one of its first efforts, followed by the sleekly packaged, upscale Slim Elegance lipsticks. The $6 Perfect Pencil is a product aimed at the over-20-year-olds, as is the upscale Performing Mascara.

To keep a high profile among its prized teenage customers, however, the company started a new, oil-free line of cosmetics for teens, called Shine Free. The Bloom Agency in Dallas, one of Maybelline's earlier advertising agencies, retained that account when Maybelline consolidated its business. Mulloy calls Shine Free the number-one teen brand of cosmetics and one of the few that are committed to being just for teens.

The company reaffirmed its commitment to "pull" rather than "push" demand by increasing its consumer media advertising. According to Wertheim's Austin, the advertising budget will bounce up some 25% to $50 million this year, with other dollars earmarked for promotion. "We had always been one of the leading advertisers in cosmetics, first on radio and then television," says Mulloy, who was head of consumer business in Europe in the early 1980s before returning to head marketing in 1985. But Maybelline moved too much ad money into the trades and "lost our way a bit," he admits. The company has since allocated more for consumer media, thereby perking sales and image, which also pleases retailers. Keeping Needham's advice in mind — "Remember your strength" — most of the ad money goes into eye products.

One of the most important things Brittain and Mulloy did was to repair Maybelline's smudged image. The company had long used Lynda Carter as a spokeswoman, but this usage was not translating into a clear image or consistancy of look. Maybelline had earlier tried a corporate-type campaign to build recognition for the group, but since women are item, not line buyers, the effort failed.

In the fall of 1987, DDB Needham was chosen in an agency review. "It was a match made in heaven, via Memphis," quips Judith Werme, senior vice president at Needham and group creative director. The agency strongly counseled setting forth a clear image and consistency. "We said, 'You are spending $35 to $40 million a year in advertising, and we are not seeing you,' " recalls Dawn Hudson, senior vice president and group account director. "That's what image and a consistent look can do for you. It gives a net-net greater impression in a very up-and-down type of business."

The company's new advertising platform borrows heavily from its past. Maybelline used to be known as a good value for the dollar — "Fine cosmetics, sensibly-priced." Its packaging has always been less costly, so it's less expensive. "But we wanted to dwell on how innovative it is," explains Hudson. Needham also wanted to appeal to today's more sophisticated shopper. "The campaign is predicated on acknowledging a woman's intelligence," adds Werme.

The Needham creatives found the word "smart" contemporized that thought. Both Maybelline and the agency tested the new logo through focus groups, individual interviews and advertising testing to confirm the new tagline — "Smart. Beautiful. Maybelline." The line got across the more rational, educated decision side, as well as the emotional tug, or as Hudson puts it, "hope in a bottle."

The attitude of the new ads, which air on daytime and prime-time soaps, as well as in what the agency dubs "hunk" or Tom Selleck-type shows, is one of reality. The ads try for a conversational tone, with words real people are likely to use.

In print ads, the top half of the treatment discusses the performance of the product, called the "Smart" part. The bottom picture gives the payout, or "beauty" aspect. What Werme calls "snipes" or flags hyping the product — like "wears on and on" — are contemporarily done as phrases torn-out of

AD EXPENDITURES '88:

MAYBELLINE	BAR NETWORK TV ($000)	BAR SPOT TV ($000)	BAR CABLE TV ($000)	BAR SYNDICATION ($000)	BAR NETWORK RADIO ($00)	RER SPOT RADIO ($00)	LNA MAGAZINES ($000)	LNA SUNDAY MAGAZINES ($00)	MR NEWSPAPERS ($00)	LNA OUTDOOR ($00)
1987 TOTAL ($000) $43,078.1	$27,338.0	$1,707.6	$1,728.0	$398.9	--	$1,065.2	$10,840.4	--	--	--
JANUARY-SEPTEMBER 1988 TOTAL ($000) $31,973.9	$13,338.7	$174.1	$3,003.0	$810.5	$1,801.0	--	$12,846.6	--	--	--

Source: Broadcast Advertisers Reports (BAR), Radio Expenditure Reports (RER), Leading National Advertisers (LNA), Media Records (MR).

a magazine.

Some of the most creative elements of Maybelline's new ad thrust are coming out of DDB Needham's media department. Michael White, senior vice president and director of Needham's media department, is credited with winning the account from Maybelline's in-house set-up due to his slightly unorthodox media strategy. White is a strong adherent of understanding consumer motivations, and the client's marketing world, before beginning to devise media plans. For instance, White (*M&MD*'s media director All Star for 1988) became convinced that Maybelline needed to get closer to the point-of-purchase, as women often buy cosmetics as a spur-of-the-moment trifle. He recommended that Maybelline buy POP Radio, a point-of-purchase music and commercials programer. Maybelline inked a "several million dollar" contract and now has this music-with-a-message advertising reaching into 4,000 stores.

A classic White move was to buy eight right-hand pages in *Cosmopolitan, Glamour* and other magazines, and showcase one product right after another. His idea, he says, "was to bring a look of size, build some imagery and go beyond item-specific advertising." This way he could also take the credibility of Maybelline's strength in mascara and lend it to the newer products.

In another departure from the norm, White "dramatically increased" Maybelline's cable usage. About 15% of Maybelline's budget now goes to that medium. DDB Needham and Maybelline have used such devices as sponsoring beauty-tip vignettes on the Lifetime network.

The company is also marketing more heavily to black and Hispanic women via specialized media. Maybelline pioneered advertising on Hispanic tv, says Mulloy, by making a million-dollar committment in 1987, which has been upped each succeeding year. According to internal research, awareness and purchase intent for Maybelline products among Hispanics was up 30% in 1988.

Distribution has always been a strong point for Maybelline and is getting even stronger. The company relies on its own sales force to stock its 150,00 accounts around the country. Maybelline's base strength lies in drug stores, while Cover Girl dominates the intensely-competitive supermarkets. But Maybelline is going after more and more of the food business by offering retailers new promotions and in-store displays. "We don't give up share points anywhere easily," vows a determined Mulloy.

All in all, Mulloy feels confident that Maybelline is on a roll. "Our research says we are moving in the right direction," he declares. With its self-confidence raised by its new look, Maybelline is out to wow 'em. ■

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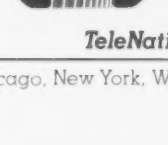

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NEAT SHOT

Absolut bucks the trends even as its sets them by leading its category in growth in a very dry market.

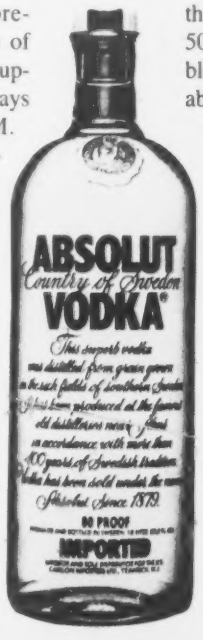
by Brian Bagot

While the only lift in spirits these days for many liquor executives may come from the corner bar, one brand continues to offer its team a reason to celebrate: Absolut vodka. To join that party, however, you'll have to go to a much trendier watering hole with a very exclusive door policy.

In an industry where consumption is on a decline, Carillon Importers' Absolut vodka once again increased its market share and maintained its lead as the number-one imported vodka in the U.S. in 1988. The Swedish spirit has taken the prize every year since it surpassed Russia's well known and well entrenched Stolichnaya in 1985, and it has done so despite nationwide anti-drinking efforts that are having a dramatic effect on consumption patterns.

"Absolut has been very successful in taking drinkers away from other categories, particularly young premium drinkers. It does a large percentage of its business in bars and restaurants and is supported by very creative advertising," says Frank Walters, director of research for M. Shanken Communications, publishers of alcoholic beverage industry trades *Impact* and *Market Watch*. "The ads help support the brand and support the drinkers' image."

They also sell product. Absolut first landed on U.S. shelves in 1979, and in 1980, the first full year it was sold here, only 45,000 cases were imported. In contrast, Absolut's 1988 imports were 1.8 million nine-liter cases (the industry measurement standard), according to Michel Roux, president of Carillon and the chief imagemaker behind the brand. This compares with 1.4 million cases in 1987, a 28.6% increase. And it's expected that Absolut will reach the 2 million mark this year.



These figures translate into a 56% hold on the U.S. imported vodka market and a 5% share of the total U.S. market, according to Walters. Stolichnaya is number two with approximately 30%. Imports contribute about 3.2 million cases to the overall annual 38 million-case spirits business, taking an 8% share, he adds.

Domestically produced vodkas still take center stage in the U.S., and Smirnoff gets top billing. Retail sales of Smirnoff in 1988 are estimated to be about $600 million, compared with Absolut's $260 million, and Smirnoff advanced 2% last year.

Meanwhile, Absolut's flavor-added extensions, Citron and Peppar, also show slow but steady growth. Citron is currently moving at about 10,000 cases a month, and annual consumption in three years is pegged by Roux to reach about 500,000 cases. Peppar, mostly limited to bloody mary drinks, is currently moving at about 20,000 cases a year.

Such category growth is very much the exception as America's drinking habits change. Adult per capita distilled spirits consumption in the U.S., representing 170 million people, slid to an estimated 2.2 gallons in 1988, down 4.3% from 2.3 gallons last year. Vodka's growth, therefore, has been at the expense of other spirit types. Vodka is the largest category in the industry, totaling about 24% of the distilled-spirits business.

While Smirnoff takes the prize for attracting the masses, Absolut rules with the high-class vodka crowd. With

ABSOLUT

the benefit of an $18 million ad budget last year, Carillon continued to reinforce its image as *the* vodka to drink in 1988. Roux's philosophy is to keep the product connected with the upper-end, trend-setting artsy crowd, so in addition to the regular campaign of Absolut ads, he has enlisted American painters, sculptors, photographers and fashion designers to create an Absolut bottle in their medium for a series of advertisements. This year's budget has been set at $22.5 million.

Those ads are as likely to appear in the out-of-the-mainstream press, including *Spy*, *Details*, *L.A. Style* and *Interview*, as they are in newsweeklies. The idea is to reach fashion-forward readers and, through them, create a perceived value for Absolut as the premium vodka.

"These magazines are very important for us," says Roux. "Besides the pleasure of art, it's important to be associated with art in general. The artists and the people who buy art are the trendsetters in this world. Their association with Absolut sets a trend with Absolut."

Jonathan Newhouse, publisher of *Details*, agrees, saying, "Michel recognizes the importance of the trend-setting market. He's a pioneer." For example, Roux has recruited eight hot American fashion designers for an eight-page insert in the April 1989 issues of *Vogue* and *Details* showing their clothes, which feature the Absolut logo.

Like a perfect martini, gaining and holding share is a matter of mix, Roux acknowledges. If such experimental buys are the vermouth, the base remains a long list of established magazines, including *Sports Illustrated*, *Vanity Fair*, *Business Week*, *Rolling Stone*, *Esquire*, *Time* and *Newsweek*. Since these publications aren't often referred to after being read, particularly the newsweeklies, frequency is the issue here. Roux explains that an ad running only two or three times a year in *Newsweek* is a waste. "You have to be there at least eight to ten times during the year," he says. "People have to remember you."

Roux's choice of magazines is based on his belief that, to win the palates of the people, the psychodynamics of the magazine readers are an element that needs to be addressed. "When somebody reads an art magazine, they are reading for leisure. Their state-of-mind is not the same as when they're reading a weekly magazine. The brand becomes part of the enjoyment and the ads are more conducive to the state-of-mind," he explains.

Additionally, the ads in most cases are designed to reflect the magazine genre in which they appear. To help assure a tailored fit, the ad reps of the various magazines chosen, as well as some being considered, are asked to generate ad ideas. These are then fine tuned by Roux and Carillon's ad agency, TBWA. Joel Kessler, associate publisher/director of advertising for *ARTnews*, who sees Roux as tied to the markets, explains, "Roux is tailoring the ads to fit a particular audience and selling through something they understand, which is art."

"It does work," points out Roux. "Most of the things we're doing come from these sources. We realize as marketers, in order to address ourselves to the look, the ads have to be tailored to the special magazines."

As examples, *Fortune* runs ads featuring a gold Absolut bottle as the "Absolut Standard," while an ad in *ARTnews* may reflect the creativity of Andy Warhol or Keith Haring. "If it blends, it's a good ad, and if it doesn't, it's bad," explains Roux.

A measure of success for the "Absolut Cameron" ad, which ran in fashion and downtown books and featured David Cameron's Absolut fashion statement, are the several thousand phone calls requesting the silver Absolut dress it featured. (Sorry, Carillon is not entering the apparel business — yet.) And over at *Spy*, the ad people developed the concept for an "Absolut Participation" contest that ran as a four-page spread in the March issue. They invited readers to create and submit Absolut ads for judgment by a

JUDY GUROVITZ

Michel Roux leans heavily on hip artists like Kenny Scharf to give his brand its cool identity.

ABSOLUT

panel of critics. The winner: Todd Edan Miller, who in addition to taking home $1,000 had his ad — "Absolut Sartre" — appear in the October issue.

On the slate for 1989 is the literary promotion scheduled for *Esquire* this summer, when readers can submit short stories that include a mention of Absolut vodka. The winning entry will be published in the magazine.

Roux is also a supporter of start-up publications. By being there from the start, Roux is able to get good position, as well as the chance to reserve positions for periods of time. "I can get the back cover for a number of years," he says. "In some ways it's a deal, but the price I pay is the same as it would be for others."

Another strategy employed by Roux that keeps Absolut connected with the cultured set is the sponsorship of special events, which consume 20% of the budget. One event was last year's Absolute Grappelli concert at Carnegie Hall celebrating violinist Stephan Grappelli's 80th birthday. On the agenda for '89 is an Absolut Concerto November 29 at Lincoln Center's Avery Fisher Hall.

Demographics are used when he's planning an offensive, but they're not a rule that's strictly followed. The target audience is everyone 21 and older "with the ability to drink. I have a whole spectrum," Roux says. Because of the emphasis placed on the medium, the ads fit into *Smithsonian* as comfortably as *Sports Illustrated*.

And in all of the ads, it's the bottle that continues to be in the center of the action, and in some instances, has even transcended itself. "It's taken the form of other objects. In the Cameron ad, the woman became the bottle," says Richard Lewis, vice president, supervisor, for TBWA. "The idea is to make the bottle the hero in a whimsical fashion. It's always the headliner: Absolut and something else."

With 85% of the year's media dollars going into print, the balance is picked up by outdoor, another traditional medium used in an untraditional way. Billboards, like print, tie in with the locale. To help spur sales with the *haut monde* in Beverly Hills, for instance, an "Absolut Drive" billboard works the bottle in with a scene of Rodeo Drive. And in the Windy City, a bottle with its letters blowing away is "Absolut Chicago."

Absolut outdoor ads were also on the move last year in New York — literally. Cruising the streets of Manhattan on the backs of trucks were reproductions of Absolut bottles sitting on beds of acrylic ice. The trucks started rolling in San Francisco and Washington in February.

Not only were some of Absolut's advertisements and vehicles slightly off center, some special effects ads were interactive. Most recently, its Christmas holiday print ad — always a blockbuster — featured a flat, liquid-filled plastic Absolut bottle that when turned upside down, generates a snow fall reminiscent of those water-filled, snow-scene globes. Although only about 1 million of the ads were printed, at 75 cents apiece, and run in *L.A. Style*, *New York* and *MarketWatch*, the reach of the ad far exceeded the combined circulation, since media coverage was tremendous.

The ad managed to get Absolut taboo tv air time, since it was deemed newsworthy by some 40 news programs, says Roux. In print, the story was picked up by about 300 newspapers. "You can't measure the value of the PR we get out of this," he adds. "Also, people are more interested when presented with the story by a news anchor than an ad."

Carillon is owned by London-based Grand Metropolitan Plc., but falls under International Distillers & Vintners Ltd. (IDV), the alcohol and beverage arm of Grand Met, while Absolut is owned by the Swedish government. Other brands marketed by Carillon include Grand Marnier liqueur and Bombay gin, which are marketed under a similar philosophy but to lesser effect. Sales of Grand Marnier were up 3% in 1988, while Bombay gin rose 16% on smaller case bases. Grand Marnier is projected to hit 410,000 cases this year, while Bombay is pegged at 250,000 to 275,000 cases. Ad budgets in '89 will be expanded to $11 million and $5 million, respectively.

Ironically, also reporting to IDV is Heublein Inc., marketer of the number-one and number-two vodkas in the U.S., Smirnoff and Popov, both domestics, as well as Finland's entry into the U.S. imported vodka market, Finlandia. Walters estimates Finlandia's sales in 1988 at about 275,000 cases, up 22.2% from last year. Finlandia stands at number three among imports.

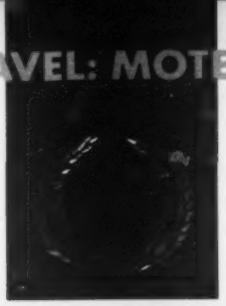
From an operating standpoint, Carillon and Heublein are totally autonomous. As a spokesperson for Heublein points out, "We don't link forces. There's not a whole lot of communication between the two companies."

And Roux concurs: "As a matter of fact, all of our marketing data are keep within the walls of Carillon. I'm not looking at what the other one is doing. I worry about my product." ■

AD EXPENDITURES '88:

	BAR NETWORK TV (000)	BAR SPOT TV (000)	BAR CABLE TV (000)	BAR SYNDICATION (000)	BAR NETWORK RADIO (000)	RER SPOT RADIO (000)	LNA MAGAZINES (000)	LNA SUNDAY MAGAZINES (000)	MR NEWSPAPERS (000)	LNA OUTDOOR (000)
ABSOLUT										
1987 TOTAL (000) $6,760.2	--	--	--	--	--	--	$5,496.7	$700.7	$213.8	$349.0
JANUARY-SEPTEMBER 1988 TOTAL (000) $4,841.2	--	--	--	--	--	--	$4,073.0	$508.5	$28.9	$230.8

Source: Broadcast Advertisers Reports (BAR), Radio Expenditure Reports (RER), Leading National Advertisers (LNA), Media Records (MR).



KING OF THE ROAD

Budget-minded Motel 6 is back in the black this year, thanks to gung-ho thinking and a very laid-back campaign.

by Carol Hall

Joe McCarthy and Hugh Thrasher love to tell this story:

A woman races down the San Diego Freeway, the top down in her Mercedes convertible, her blonde hair whipping in the wind. Her car radio is on and an ad begins: "Hi, Tom Bodett for Motel 6 here," says the spokesman, in a sort of half-bored drawl. "I'm sitting in room 201 in Yuba City, California, and it's wild. We're watching color tv, I'm talkin' on the phone and my family's thumbing through the yellow pages. I'm tellin' you, we're having a ball."

The woman, a real-estate agent from Minnesota, pushes her mink aside and grabs the car phone. "I just wanted to talk to the company that has such interesting commercials," she enthuses to Hugh Thrasher, executive vice president of marketing and development for Motel 6. "I'm heading for the Mexican border, and this guy has me convinced that the real action is up in Yuba City!"

In the economy, or budget, segment of the $51 billion, 2.8 million-room lodging industry, Motel 6 is where the action is. Founded in Santa Barbara, Calif., in 1962, this chain of — there's only one way to say it — cheap motels (the 6 originally stood for $6-a-night) has reversed a five-year decline in its occupancy and increased its market share and earnings. As the nation's largest chain of budget motels, it has greatly expanded its operations and along the way has picked up three Clio awards, an Effie from the American Marketing Association and six awards from the Hotel Sales and Marketing Association International. Not bad for a chain that until 1986 had no marketing department, never had an ad campaign and didn't even have telephones in its 12'-by-12' rooms.

The recovery began when Motel 6, having hit bottom in 1986 with an occupancy rate of 66.7%, increased occupancy in 1987 by six percentage points to 72.7%, or 12.6 million overnights. It posted a net loss of $18.7 million that year, partly because it moved to Dallas. But by the end of 1988 the company was back in the black with earnings of $5.3 million and occupancy up to 73.8%. Its share of the economy segment was 19.4% in 1988, up from 17.9% in '86—impressive at a time when growth in the segment was slightly off.

"It's almost like Motel 6 is synonymous with Wal-Mart," says Daniel Daniele, senior principal and national director for economy lodging at Laventhol & Horwath. "It seems they have the Midas touch."

Product development and a new marketing-driven approach to nearly everything (even property development) are given lots of credit for the turnaround, as is the company's non-franchised set-up. But the top-level keyholders at Motel 6 agree such a rapid reversal of company fortunes wouldn't have been possible without their pervasive radio ad campaign in which Bodett promises, "We'll leave the light on for you."

Tom Bodett, a 33-year-old contractor-turned-writer whose slightly countrified voice

The "6" team takes five: Left to right, president Joe McCarthy, marketer Hugh Thrasher and agency head Stan Richards.

is becoming as recognizable as Garrison Keillor's, is the campaign spokesman. A resident of Homer, Alaska, he's a former commentator for National Public Radio and now has his own national radio show. He even has his own fan club. He is not, however, president of Motel 6, as the mountains of mail arriving for him at the company's Dallas headquarters suggest. But the real president and CEO, Joseph McCarthy, doesn't mind the mix-up. "He can be chairman of the board if he wants!" hoots McCarthy. "He's contributed that much to the turnaround of this company."

Marketing is something of a new concept to the lodging industry in general. Though the more upscale chains have begun advertising more steadily of late, to the $11.7 billion, 600,000-room economy segment of the business, it remained a foreign language.

Motel 6 and many of its competitors, says Thrasher, relied heavily on word of mouth, "at church groups and the like," for advertising. The company sprinkled a handful of billboards along some highways and had itself listed in lodging directories. That was it for 24 years.

Over those years, Motel 6 seemed content to just get by. The company never did much to keep its customers coming back, much less try to expand its market. It had successfully dealt with competition from the hundreds of tiny regional chains, but when the other super-cheap national chains began to spring up, imitating the idea pioneered by Motel 6, the competition ate away at its market share. With the bulk of its units on the West Coast and in the Southwest, economic slumps in states like Texas and Oklahoma didn't help.

Then in 1985, the company was sold for $928 million to leveraged-buyout specialists Kohlberg Kravis Roberts & Co. by City Investing Corp., a company in "self-liquidation" at the time. (The buyout's large depreciation and interest expenses were part of the reason for losses in net income.) KKR's game plan was to expand the chain and enhance its investment. "We know that at some time KKR will sell Motel 6," says Thrasher. "They're in investment banking, not lodging."

To that end, KKR is taking a two-pronged approach. It is buying and building additional properties and funding a marketing program to broaden Motel 6's customer base.

Soon after it bought the chain, KKR hired McCarthy, a long-time lodging business executive. He in turn hired Thrasher, set up a marketing department and took on the Richards Group, a Dallas-based ad agency.

"For ten months after we were awarded the account, we did no advertising," says Stan Richards, principal of The Richards Group. Motel 6 — known as "M6" to its intimates — and the agency conducted scores of focus-group sessions and read heaps of industry research.

The research showed that, on the plus side, there was literally a Motel 6 cult out there, a core group of loyal customers that could be built on. But, as Thrasher points out, there was much about the old Motel 6 that made it a "problem product." Motel 6 didn't accept credit cards (guests had to pay in advance, in cash). It had a complicated family-rate pricing program. It didn't have any sort of reservation system except the U.S. mail. And not only had Motel 6 never installed telephones in the rooms, but guests had to pay $1.49 to have their televisions connected.

In addition, a night at a Motel 6 cost the same, $17.95, everywhere. A room in Del Rio cost as much as in Detroit.

Research showed that a lot of these things irritated customers. "We didn't want to bring people in until the product was fixed," says Richards.

Before the first radio ad aired in November 1986, a host of changes were introduced. The fact that all Motel 6 properties are owned by the company, not by franchisees as is the case with many hotels, made it easier and speedier to implement chain-wide changes. So did the fact that all the rooms are identical. Once the ads started, they focused on each innovation as it came off the assembly line.

Having decided that luring the business traveler was essential, M6 installed phones in every room. "We were a very substantial customer for AT&T," laughs McCarthy. "They said the next biggest order they'd had was from the Pentagon. Who else goes out and orders 50,000 telephones?"

In addition, the company made a point of not charging for local phone calls. Motel 6 also does not levy a motel service charge for long distance calls, common in the industry and a cause of customer complaints.

And speaking of phones, the company installed a reservation center in Albuquerque ("Motel 6 is in the fast lane again," announces Bodett). You pay for the call, however. And the chain now features an itinerary-planning service, but again, you call, you pay. The company argues that this approach keeps room rates down.

Focus groups dictated Motel 6 quit charging extra for the tv hookup — most people didn't want to be nickled-and-dimed to death. The nationwide pricing structure was changed, too, allowing the company to charge more in pricier cities. Prices now range from $31.95 (Washington, D.C., e.g.) to $17.95 (the price of a night in Odessa, Tex.). This allows M6 to offer things like "free" local calls but still stick to their credo of being the lowest-priced national chain on any corner. The family rate was changed too. Now kids under 18 can stay free. And, yes, Motel 6 now takes credit cards. Already one-third of their guests pay this way.

The chain has put renewed emphasis on room maintenance, essential with the high volume of traffic. In the last two years, 70% of their rooms are either brand new or have been refurbished (though as Bodett admits in one spot, "You won't get the same atmosphere as in Uncle Bruce's knotty pine rec room, but your eyes will be closed, so who cares?").

The expansion of Motel 6 since the KKR purchase, particularly into the Midwest and East, has gone at a fast clip, with the company building and buying properties all over the country.

The chain opened 23 new Motel 6s, each with about 120 rooms, in 1987, and a total of 32 were bought and built in 1988. In 1989 Motel 6 will re-open the 49 Sixpence Inns of America motels under its banner and plans to build about 25 more. That should bring the number of units to over 500 (with 58,000 rooms) in 41 states and further allow M6 to expand its customer base beyond its "cultists."

About half of that following are people 50 years and over; two-thirds are retired. The company describes them as inveterate coupon clippers who could easily afford a Hilton or a Hyatt. "We'll see as many Buicks, Cadillacs and Oldsmobiles in our parking lots as VW Beetles," claims McCarthy. It's just that these people take the "what do I really need" approach to travel, he says. (Not surprisingly, they're pitched to: "Hi. Tom Bodett with a plan for anyone who's retired . . . Do all that stuff you never had time to do before. Stop off at roadside tepees and

AD EXPENDITURES '88:

MOTEL 6	BAR NETWORK TV ('000)	BAR SPOT TV ('000)	BAR CABLE TV ('000)	BAR SYNDI-CATION ('000)	BAR NETWORK RADIO ('000)	RER SPOT RADIO ('000)	LNA MAGA-ZINES ('000)	LNA SUNDAY MAGAZINES ('000)	MR NEWS-PAPERS ('000)	LNA OUT-DOOR ('000)
1987 TOTAL (000) $9,677.6	--	--	--	--	$1,726.8	$7,628.9	--	--	--	$321.9
JANUARY-SEPTEMBER 1988 TOTAL (000) $11,347.6	--	--	--	--	$9,061.3	$1,886.3	--	--	--	$400.0

Source: Broadcast Advertisers Reports (BAR), Radio Expenditure Reports (RER), Leading National Advertisers (LNA), Media Records (MR).

watch Indian rug weavers . . . Since there's no service charge on long distance phone calls, go ahead and give those kids a call. Tell them you've split the scene and you're out to groove on some new action.")

Another large portion of their customers are 18-to-35-year-olds on a tight budget. M6 is usually on the outskirts of a city, often near military bases, universities, hospitals and prisons.

Of its growing business-traveler segment, half are self-employed and very aware that travel is not always deductible. The other half are often on a per-diem expense account. "They're never going to get the corporate executive," chuckles Bill Gillette, associate editor at *Hotel & Motel Management*.

At present, Motel 6 isn't considering any tv or print advertising. The chain originally went with radio in large part because money was tight. (The company says its 1986 budget was just over $1 million and 1987's was $6 million. 1988's was $8 million, which will increase slightly in '89. LNA, however reports higher figures.)

But a big factor in the decision was the fact that most people arrive at M6 by car, truck or motorcycle. Three-quarters of them make what the industry calls a "through-the-windshield decision" on where to stay each night and arrive without a reservation. Though they've expanded the number of billboards to 775, they feel radio is still the best way to reach these travelers.

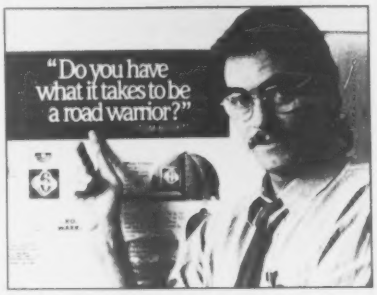
The Richards Group first aired the campaign in California and Texas, a healthy market and a troubled one, respectively. Happy with the results in both, it expanded the number of spot buys in 1987 until, in '88, it put the ads on network radio. There are now more than 70 executions that generally air from 6:00 A.M. to 7:00 P.M. on most networks, including CBS, NBC, ABC and TranStar.

Radio proved to have another curious advantage. Because people can't see Bodett, his ironic, real-folk voice takes on a variety of faces. Older people tend to see him as a road-weary curmudgeon, younger people think he's one of them and businesspeople frequently say in focus groups they hear a harried salesperson. (Good thing the Richards Group shelved the idea of hiring Charles Kuralt for the ads.)

Thrasher says one of the main reasons the ads have been so successful with all these groups is that they tell people it's okay to be cheap. (As Tom Bodett says, "Hey, with the money you save, you can pick up that slag glass sculpture for the mantel. It may look like a rock to your friends, but you know it's art.")

The campaign naturally has spawned imitations in the industry. "Other motels wish they'd found him first," says Gillette of Bodett. They didn't, so Econo Lodges' $2 million radio campaign and Red Roof Inns' $5 million tv spots star Martin Mull, each often hitting on the same amenities Bodett pitches in his spots.

All this success has hardly dulled Motel 6's passion for research. The company still conducts frequent focus groups and reads lots of research reports. But in true down-home style, they often find what's most informative are what Thrasher calls "motel intercepts." An M6 representative, posing as a soap salesman, will stop guests at a Motel 6 location. He is trying to sell his soap to the chain but, by the way, what do they think of the place? ■



"Hi. Tom Bodett for Motel 6 with a plan for anyone whose kids are on their own now. Take a drive, see some of the country and visit a few relatives. Like your sister Helen and her husband Bob. They're wonderful folks and always happy to pull the hide-a-bed out for you, but somehow the smell of mothballs just isn't conducive to gettin' a good night's sleep. And since Bob gets up at 5:30, well that means you do too. So here's the plan. Check into Motel 6. 'Cause for around 22 bucks, the lowest prices of any national chain, you'll get a clean, comfortable room, and Helen and Bob'll think you're mighty considerate. Well you are, but maybe more important, you can sleep late and not have to wonder if the towels in their bathroom are just for decoration. My rule of thumb is, if they match the tank and seat cover, you better leave 'em alone. Just call 505-891-6161 for reservations. I'm Tom Bodett for Motel 6. Give my best to Helen and Bob and we'll leave the light on for you."

One of the 70-plus radio spots for Motel 6 created by The Richards Group.

KIWANIS MAGAZINE

KIWANIS magazine delivers a unique, quality travel audience:

- 54.1% of all KIWANIS magazine readers have traveled abroad in the past three years, an average of 2.5 times each.
- 21.2% have taken a cruise during this same time period, 5.9% more than once.
- Their median age is 54.9 years.
- Their mean annual household income is $62,800.

In September, 1988 KIWANIS magazine initiated a Travel Advertorial program, a schedule of 1989 features is available upon request.

A Reader Service feature appears in every issue, and is free to advertisers purchasing 1/6th page or more in the same issue.

For additional information concerning Kiwanis, KIWANIS magazine, and this unique, quality travel audience, please write or call today:

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In Indiana: 1-800-638-7436
or 1-317-875-8755
TELEX: TXW 810-341-3471
FAX: 317-879-0204

Source for all statistical data: A.C.M.S., 6/87 Subscriber Study Report.

SMOOTH TUBE

What a difference a boss makes. Sumner Redstone and his Viacom team are pulling in profits with a renewed marketing push.

by Joe Mandese

Monty Hall was dying. Try as he might, this just wasn't his medium. About a dozen journalists were gathered in front of him at the heart of this year's NATPE convention floor to hear him pitch his new show, *Betcha!*. He dug deep within to muster the best of his seasoned game-show host charm. But he was losing his audience.

It wasn't entirely his fault. The show seemed just one more in a long line of marginally differentiated shows being hawked at the meeting and, to make matters worse, Hall could barely be heard above the din of female wrestlers doing body slams in an adjacent booth. As the journalists began doodling on their memo pads, it became apparent that *Betcha!* was in trouble at a crucial moment in the marketing cycle of a new show: its launch.

Fortunately, Henry Schleiff, chairman/CEO of Viacom Entertainment and Broadcast, *Betcha!*'s distributor, joined Hall at the podium. After alluding to a "novel marketing approach" for the show, Schleiff found his hook — tabloid tv.

"I think we are seeing a little backlash at NATPE for all the tabloid tv," Schleiff understated. "We are coming out at the right time for this show."

With the target clearly defined as those stations looking for alternatives, Schleiff left the shooting to Viacom marketing pro Joe Zaleski. As it turned out, Viacom actually did have an innovative marketing plan.

Viacom offered a complicated, but virtually no-risk deal to stations based on an almost customized approach in the way cash and barter terms were structured. "It is a different marketing plan," Zaleski says. "The easiest thing would have been for us to do this show for cash with one minute of barter. But our job is to get the show on the air." So far, so good: At presstime, *Betcha!* had cleared WNBC, New York, and was virtually a "go" with other markets to follow.

Getting shows on the air is something Viacom specializes in, and 1988 is the year in which this and other skills really paid off. The company had record performances in domestic syndication as well as in all other operations, including international syndication, tv production, cable and broadcasting.

Through the first nine months of 1988, Viacom's operating earnings for 1988 increased 51% to $149.9 million on revenues of $1.259 billion. Earnings for its entertainment division, which includes tv production and syndication, rose an impressive 227% to $61.3 million, due largely to the initial billings from Viacom's off-network syndication of *The Cosby Show*. Its networks division, which includes two pay (Showtime and The Movie Channel) and four basic (MTV, VH-1, Nickelodeon and Nick At Nite) cable networks, posted earnings gains of 28%, to $50.3 million. Earnings for its cable tv division (operator of 16 cable systems) jumped 81% to $58.1 million, and the

broadcasting unit (five tv and nine radio stations) had healthy gains of 5% to $35.4 million.

These are especially heartening numbers to Sumner Redstone, who paid $3.4 billion in June 1987 to acquire 83% of the company, a deal that resulted in about $2.2 billion in bank debt. And while Viacom continues to report a net loss ($123.1 million in 1988) due to its debt payments, improved cash flow, the sale of two of its cable systems and some refinancing, Viacom has reduced its debt to a more comfortable $1.1 billion. In fact, the company recently took one of its tv stations (WVIT, Hartford, Conn.) off the block and is currently looking for acquisitions.

How did Viacom turn itself around in little more than a year? The answer, according to its management, was a significant reinvestment in marketing.

"With the exception of MTV, the company didn't really enjoy the reputation of being a premiere marketer," concedes Viacom president/CEO Frank Biondi. "The difference was that the other divisions really got into it."

Redstone had bought into some real marketing problems when he took the company over, but Viacom wasted little time hiring the right people and devoting the resources to turn them around. Its pay tv division, in particular, was in dire shape. "Showtime had a couple of years of modest growth, but there was some major hemorrhaging at The Movie Channel," notes Biondi. TMC's situation was so severe that the previous Viacom management team actually hinted at shutting it down. This was "the best way to dry up support" for the channel, according to Winston Cox, the man Biondi hired in 1987 to resurrect the pay cable division as chairman/CEO of Showtime/The Movie Channel Inc.

"We had created a mess for ourselves," says Cox, adding, "The Movie Channel had no credibility with the consumer. It had no credibility with the industry. And it had no credibility within the company. Other than that, things were fine, because it really was a hell of a good product."

Few people were aware of the last point, or of the value of its sister service, Showtime. The previous management had virtually scuttled any major marketing for the services and what they had done was misdirected.

While Showtime had valuable (and expensive) exclusive pay tv deals with hot studios like Paramount and Touchstone, "having a good product without advertising it is like winking at a girl in the dark," notes Cox. "You're the only one who knows about it."

The problem, however, was that Cox didn't have much of a budget to wink with. "We knew it required a major fix," recalled Biondi. "And it wasn't a question of spending 5% or 8% more." It was more like 100%.

Viacom wasn't budgeted for that kind of increase, so they took a gamble: They budgeted all of Showtime/TMC's 1988 marketing dollars for the first six months, with the idea that additional revenues derived from the increased marketing effort would be used to support its second-half activity.

As a result of that strategy, Showtime/TMC's combined subscriber base grew 11.9% to 9.4 million households. Although HBO/Cinemax, with a combined growth rate of 9.5% to 23 million subscribers, also had a decent 1988, Showtime/TMC's higher growth rate improved its market share and reflects a turnaround directly attributable to its stepped up marketing efforts.

While most of the marketing muscle went into direct mail and telemarketing, Showtime also returned to tv with a campaign that emphasized its exclusive movies. The theme of the campaign, created by Ally Gargano, is "Here you see it. There you don't."

Viacom's basic cable operations also stepped up efforts in 1988. VH-1 and Nickelodeon got their first national campaigns and MTV returned with heavy spending behind a campy version of its "I Want My MTV" theme.

The division also produced a record number of local promotions (170 for MTV, 75 for VH-1 and 50 for Nickelodeon) and sponsored some of its biggest national promotions ever. "We gave away an island with Coca-Cola," points out MTV Networks president/CEO Tom Freston. He declined to disclose the 1988 budget, but said it was 50% higher than 1987's.

MTV also became the "world's first international television network" in 1988. "We are in five continents, 24 countries and 90 million homes worldwide," says Freston.

BARBARA WALZ

Double-dare: Despite huge debt, Redstone (left) and Biondi took on the competition and won.

Meanwhile, MTV has expanded into long-form programing with shows like *Remote Control* and has shifted to more of a traditional daypart structure to maximize its audience flow and develop more creative packages for advertisers. "In an era when 85% of our audience is sitting at home with remote-control devices in hand, we felt there must be a better way to increase the amount of time they spend viewing than by just playing three-minute programs," explains Freston.

The network also conducted a unique merchandising event called "The Museum of Unnatural History," in which 25 advertisers toured 25 cities in a mall show. In six months, it was visited by 5 million people and even brought in a new advertiser, Pontiac.

But the most controversial project of 1988 was the off-cable syndication of Nickelodeon's *Double Dare*. While the show generated syndication revenues to the division and helped attract new-to-cable advertisers to Nickelodeon, cable systems were concerned about the loss of cable exclusivity.

MTV appears to have appeased them by demonstrating how the off-cable window promotes the value of cable programing to non-cable viewers and has also generated revenues to develop new cable-exclusive shows. As a result, Freston says "seven or eight" new series will come on Nickelodeon.

Viacom, meanwhile, took an equally controversial off-cable route by selling repeat episodes of Showtime's *It's Garry Shandling's Show* to Fox Network. Revenues from that sale, however, have been refunneled back into the service's new series, *The Boys*.

Another intriguing 1988 off-cable development was the placement of Viacom's barter-syndication sales under MTV. "We are beginning to view MTV Networks as more than just a pure cable business," notes MTV's Freston. The unit is responsible for selling barter time in all Viacom syndicated shows. "It's like the nose on your face," says Biondi of the collaboration. "The real question is, 'Why should we take anything outside?' "

Indeed, Viacom's operational resources are impressive. Its decentralized management approach and emphasis on aggressive local marketing strategies have dramatically increased earnings and cash flow at its cable and broadcasting operations, and innovative marketing by its entertainment division has gotten an above-average number of shows on the air.

Currently, Viacom produces the hit NBC series *Matlock* (ranked 13 among all network series through the first 14 weeks of the 1988-89 season). It won critical accolades for *Frank's Place*, which was cancelled by CBS. And it is waiting for a mid-season spot for another CBS series, *Jake and the Fatman*, while NBC considers a commitment for *Father Dowling*. According to Schleiff, Viacom Entertainment has had 40% of its pilots picked up as network series over the last two years.

Viacom's stable of off-network series is among the strongest in the syndication business, including *All in the Family*, *The Honeymooners* and *I Love Lucy*. And in 1988, the division launched several successful first-run shows, including *Superboy*, which was the number-one new action series to debut in 1988.

Still, the pinnacle of Viacom's 1988 marketing successes has to be its off-network sale of *The Cosby Show*, which broke both records and rules in just about every facet of the industry. Viacom sold the show to stations through a blind bidding process. "It has to go down in the annals of syndication as one of the great marketing efforts of all time. It's certainly the most profitable to date," observes John von Soosten, vice president, director of programing of Katz Television, a station rep firm. While the stations complained about the strategy, it certainly maximized Viacom's revenues. The strategy, along with the equally controversial blind-bidding sale of barter time in the show, earned an estimated $600 million for Viacom.

Many of the stations felt they overpaid, but as Viacom points out, the stations paid what they could afford, and "no one held a gun to their heads," says von Soosten. He notes that the sale of *Cosby* was a turning point for the company's marketing reputation.

"Up until *Cosby*, I don't know that anybody really thought of them as sharp marketers of shows," says von Soosten. "They weren't slouches. They were just considered a good company among other good companies. Since *Cosby*, they have had a pretty good track record of getting shows on the air in both off-network and first-run. They've put together some interesting packages and have gotten shows launched where other companies haven't," von Soosten notes. "I guess that makes them smarter than the average bear." ■

AD EXPENDITURES '88:

VIACOM

1987 TOTAL (000) **13,663.1**

JANUARY-SEPTEMBER 1988 TOTAL (000) **22,072.9**

BAR NETWORK TV (000)	BAR SPOT TV (000)	BAR CABLE TV (000)	BAR SYNDI-CATION (000)	BAR NETWORK RADIO (000)	RER SPOT RADIO (000)	LNA MAGA-ZINES (000)	LNA SUNDAY MAGAZINES (000)	MR NEWS-PAPERS (000)	LNA OUT-DOOR (000)
--	$6,215.2	$2,609.3	$170.4	$92.7	$2,500.6	$719.7	--	$1,054.7	$300.5
$271.4	$9,794.1	$1,902.9	$864.0	$148.8	$1,595.6	$4,921.7	--	$2,163.9	$410.5

Source: Broadcast Advertisers Reports (BAR), Radio Expenditure Reports (RER), Leading National Advertisers (LNA), Media Records (MR).

CHEAP CHIC

Helene Curtis combed out the hair-care market with a line of high-tech, low-cost potions.

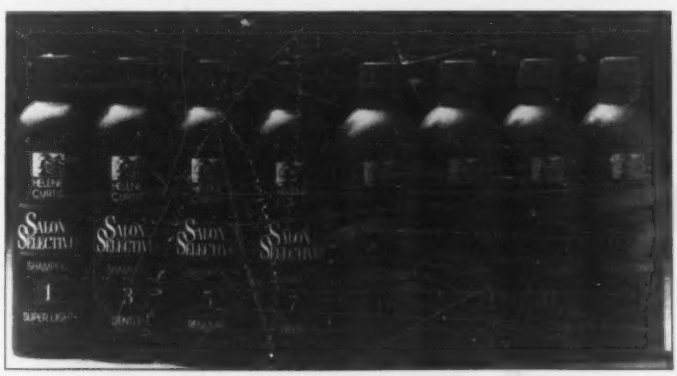
by David Kalish

It was all so cloak and dagger, one would have thought the project involved national security. In fact, the top-secret objective of "Project '87" was to invent a hair-care line that in ten months flat would make Helene Curtis Industries Inc. a major player in the blossoming market for salon-style products.

While this may sound like a rather specialized goal, in actuality the hair-care market is a $2.2 billion industry, divided into several segments like shampoos, conditioners and styling products such as mousses and gels. And since vanity knows no bounds, the market has been growing in a wide range of directions.

One new flip has been consumers' penchant for frequenting hair salons on a very regular basis. Indeed, some of the trendier hair design places have discovered they can make a decent bit of change by selling their styling products for home use. Noting the trend, companies like Jhirmack, Pantene and Vidal Sassoon, which sell through traditional retail outlets, have been pitching products with fancy names and prices. But no one was out there with a line that could make a woman feel like she had just stepped out of the hairdresser's, but at a mass-market price.

This was just the opportunity Helene Curtis was looking for. So in early 1986, a seven-person team banded together at company headquarters in Chicago to assess the potential and plot the assault. Half a continent away, the company's New York-based advertising agency, Saatchi & Saatchi, mobilized dozens of employees into research, creative and account teams to assist the client. Speed was paramount, as was secrecy.



Faster than you can say "blunt cut," the mission was carried out. Launched in March 1987, with an investment of $40 million, Curtis' distinctive Salon Selectives line of shampoo, conditioner and sprays racked up $40 million in sales during its first year. Off that impressive start, Salon Selectives went on to shellac the market last year. Sales more than doubled to $90 million, figures Diana Temple, an analyst at Salomon Brothers. In 1989, she predicts, sales will reach $125 million.

Helene Curtis' feat must be applauded not just for the brevity of time it took to launch, but for how carefully it blasted its way into a brutally competitive, highly fragmented category peopled by some big-pocketed competitors. For instance, by the third quarter of 1988, Selectives' shampoos claimed 3.2% of the total $1.4 billion market. But in its salon-type shampoo segment, which holds 10% of the total market, Helene Curtis' showing was strong enough to put it in second place behind Vidal Sassoon (owned via Richardson-Vicks by Procter & Gamble) with a 3.6% share. Not only that, both Sassoon's and Jhirmack's share fell in the niche shampoo category last year, Temple says. Sassoon dipped from 3.7% and Jhir-

SALON SELECTIVES

mack fell from 4.4% to 2.9% in '88. Pantene was up from 0.5% to 1.9%.

Among conditioners, Selectives is also hot. There, Selectives has wrested 6% of the category, compared to Sassoon's 6.6% and Jhirmack's 5%. And in a move that analysts say further strengthens Selectives' position, the division in 1988 introduced a line of hair-styling products that includes mousses, styling gels and hair sprays. The launch, backed by a new tv campaign, already has racked up impressive results: The hair-spray and hair-styling products own 2.8% and 5.2% of their respective segments. "I think you would have to call what Curtis has done with Salon Selectives a spectacular success," Temple reflects.

The marketing record of Salon Selectives is the latest evidence of how far Helene Curtis has come since chief executive officer and president Ronald Gidwitz took over the company from his father in 1979. Gidwitz, described as an energetic risk-taker who will plunk down plenty on his new product bets, has revitalized the formerly sleepy peddler of hair products to older Americans — invigorating a lackluster Suave product line and going on to launch the successful, premium-priced Finesse shampoo and conditioner.

Part of the Gidwitz success formula has been a strong bent for advertising. "Advertising and promotion expenses are real investments in the business," he noted in a recent interview. Yet Gidwitz went on to add that the reality of being a public company made him pledge to shareholders ten years ago that if quarterly results sagged, ad budgets would have to get cut. Thankfully, he says, "in the last eight years we haven't had to face that problem."

Propelled by Salon Selectives' sales, Helene Curtis' net sales for the first fiscal nine months of 1988 were a record $458.6 million, up 30.3% from the same period a year earlier. Net earnings rose 20% to $10.2 million. "We predicted the sales and profit range of Salon Selectives within 3% to 5% of actual bottom line," boasts Gil Smith, president of Helene Curtis' Consumer Products division, noting the brand was profitable in its first year of operation. "We knew exactly what the brand was going to do."

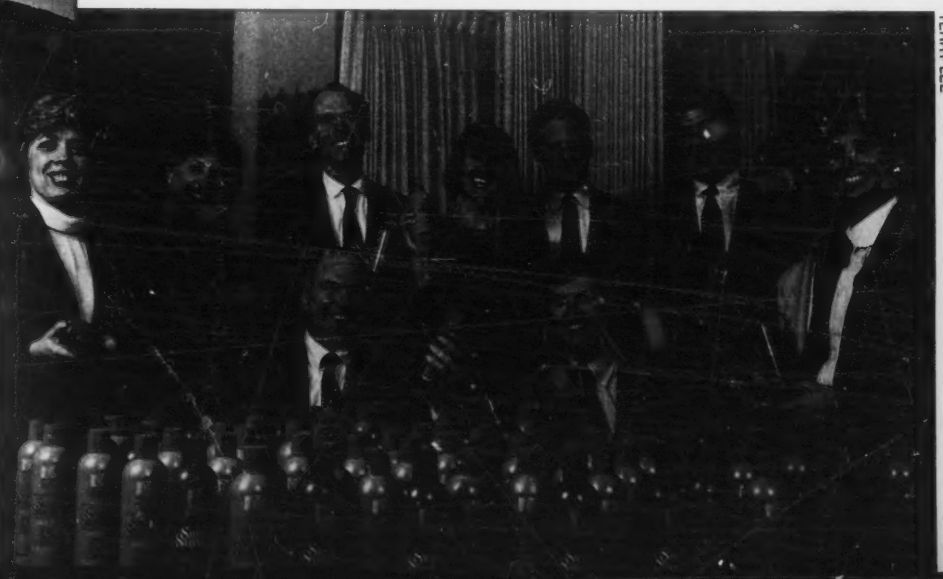
This sort of performance draws plaudits. "They [Helene Curtis] went from being a staid, conservative Midwest company to a hard-driving packaged-goods marketer," observes Allan Mottus, a consultant who publishes *Informationist*, a monthly health-care and beauty industry newsletter.

Its latest good fortune is very much a group effort. Brad Kirk, who is now the group brand manager and Stan Cook, the co-brand manager on Selectives, led the initial team examining the marketplace, which included sales, research and marketing.

Working from the premise that a store-bought product can produce tresses as good as a salon hairdresser, Curtis spent the next ten months figuring out how to translate this into a believable product line. Though intensive quantitative and qualitative testing are the order of the day, remarkably enough, Curtis researchers never test-marketed the product. Instead they relied on a sophisticated computer program into which they fed reams of data from mall intercept and other surveys.

Just to be safe, marketers wrote a provision into the budget that assumed a small percentage of Salon Selectives sales would cannibalize sales of Helen Curtis' premium-priced Finesse shampoo and conditioner. But happily, Selectives, which is a mid-to-upper-price-range product, has had little impact on the upscale Finesse. "They've made the two really different, so they haven't cannibalized each other," notes Mottus.

What emerged from these intensive months of research was a product that observers say is a knock-out on the shelf and in the shower. In-house package designers at Helene Curtis, who were in on concept development from early on in the research stage, person-



TERRY LEE

Gidwitz (above) gathered the necessary talent: Seated, Gil Smith (left) and Brad Kirk. Left to right: Kuzin, Lanznar, Cook, Moberly, Klewicki, Kauffold, Nikolaev, Kochevar.

SALON SELECTIVES

ally observed the reactions of focus-group respondents through two-way mirrors. Responding to women who said they wanted to relive the exhilerating, somewhat sensual salon experience, designers came up with a decidedly feminine-looking bottle — round-shouldered and flesh-tone colored. "The package is a cut above the average package out there. It kind of leaps off the shelf at the consumer," observes Donald Davis, editor of *Drug & Cosmetic Industry* and *Cosmetic Insider's Report*.

Also emerging from the testing stage was the idea to play up the Helene Curtis namesake on the package — the first time in recent history the name has been emphasized. Explains Smith, "We picked up on the heritage of Helene Curtis being a major supplier to salons." The company has been selling to salons and consumers since the 1940s.

Moreover, research showed that the conventional system of using "dry," "normal" and "oily" to identify nuances in hair formula had become humdrum. All reports told the team women wanted customized products. Therefore, instead of basing terminology on hair types, designers developed a system of letters and numbers based on the consumer's needs and the product's benefits. Shampoos are marked with "Level 1," "Level 3," "Level 5" and "Level 7," ranging from super light cleansing for fine hair to deep cleansing for hair that's frequently moussed and sprayed. Conditioners are distinguished by letters, with "Type B," for example, for consumers looking to build body into their hair.

Simultaneously, Saatchi & Saatchi, Curtis' agency for Finesse, was secretly selected to work on Selectives. Dozens of Saatchi employees began toiling on creative approaches, research and the media buy, often working 16-hour days and weekends to meet the deadline. "They expect us to live and breathe and sleep the business, just like they do," says Katalin Kovago, senior vice president and management supervisor at Saatchi.

Plunging headlong into research to supplement that being done at Helene Curtis, Saatchi researchers discovered some interesting things. Using a proprietary test that calls on outside clinical psychologists to conduct one-on-one interviews with subjects, Saatchi's "Psychological Probe" aimed to decipher what was at the root of what people were saying. "What came out of it was the threshhold experience that a woman feels when she presents herself to the world," recalls Kovago. Clued in, agency creatives came up with the themeline, "Feel like you came out of a salon."

The media staff, meanwhile, decided to put the bulk of the first year's $14 million advertising budget into network television. "Nothing gets you broad-scale awareness faster than tv," says Karen Moberly, co-brand manager on Selectives. A small percentage of ad dollars went toward cable, spot and print, with the latter acting to educate consumers on how the new brand's unique terminology gave consumers the customized hair care they wanted. Cable buys included Lifetime, Turner and USA Network. Selectives also used almost all of the women's service and beauty books, often using innovative positioning techniques. In addition, media buyers decided to beef up spot buys in places like the West Coast, where people tend to watch less tv.

As the March 1987 launch date neared, Helene Curtis decided it had a winner on its hands — despite the fact it had never been test marketed. Gidwitz reflected that the risk was minimalized by the strength of the computer modeling results and Helene Curtis' knowledge of the category. "Finesse was a calculated gamble. The introduction of Salon Selectives was closer to a sure thing," he observes.

AD EXPENDITURES '88:

SALON SELECTIVES

1987 TOTAL (000) $13,517.2

JANUARY-SEPTEMBER 1988 TOTAL (000) $13,114.0

	BAR NETWORK TV (000)	BAR SPOT TV (000)	BAR CABLE TV (000)	BAR SYNDI-CATION (000)	BAR NETWORK RADIO (000)	RER SPOT RADIO (000)	LNA MAGA-ZINES (000)	LNA SUNDAY MAGAZINES (000)	MR NEWS-PAPERS (000)	LNA OUT-DOOR (000)
1987 TOTAL (000) $13,517.2	$8,675.4	$101.5	$172.0	$1,627.1	$778.3	$98.9	$2,064.0	--	--	--
JANUARY-SEPTEMBER 1988 TOTAL (000) $13,114.0	$8,149.1	$106.2	$351.2	$232.5	--	--	$4,158.7	--	$116.3	--

Source: Broadcast Advertisers Reports (BAR), Radio Expenditure Reports (RER), Leading National Advertisers (LNA), Media Records (MR).

Salon Selectives was unveiled at a meeting of Helene Curtis salespeople in December 1986, three months prior to its debut on store shelves. Following Selectives' successful introductory year, Helene Curtis in 1988 launched a program that mailed samples of the product to 18 million U.S. households. In addition, Saatchi revised the creative approach. "The introductory approach concentrated on 'Feel salon beautiful every day.' Over time we really found 'like you just stepped out of a salon' is more powerful, and the current advertising pushes more on that aspect," notes Moberly.

Competitors are not idly watching Salon Selectives' meteoric success. Procter & Gamble, for example, has dramatically upped its spending on Pantene and Vidal Sassoon. Anticipating the actions, Helene Curtis plans to increase its ad spending on Salon Selectives some 15% to 20% this year. Also, it plans to go global with Salon Selectives and introduce a new line of treatment products within the next few months. In 1989, that could prove to be their crowning glory. ■

POWER PLAYS

There's joy among the joysticks as Nintendo racks up share points and energizes a near-defunct industry.

by Joe Mandese

Who would have believed that the hottest names in the electronics/entertainment field would include such oddities as "Mario Bros.," "Zelda" and "Donkey Kong"? For that matter, who would have believed that the equally obscure company, Nintendo, would be responsible for resuscitating the entire U.S. video game industry, a market that even its early pioneers had just about given up for dead?

It must have required an awful lot of vision and a good measure of audacity for Japan-based Nintendo to enter the U.S. market in 1985, which then was collapsing from a 1982 high of $3 billion to a scant $100 million in 1985 sales as the likes of Atari, Coleco and Mattel bailed out.

Yet what a success story has been played! Nintendo has brought the industry back to sales of $2.3 billion, of which it accounts for 70%. And the company has racked up such incredible sales with a very carefully thought-out and executed marketing strategy, again scoring a major difference over once and present rivals who fly more by the seat of their pants. Nintendo, which hardly sells a cheap product — its basic system costs $99, and game cartridges range from $35 to $40 — has built up an entertainment empire. The games' success has spawned a television show, a reader-paid-for magazine, numerous merchandising tie-ins (including those with Procter & Gamble and Ralston Purina) and a telephone hot line that draws 100,000 Nintendo fanatics a week, all seeking tips on how to better play the game.

They are coming to the right place — Nintendo knows how to play the game, all right. Despite the fact that the company's own research showed that 98% of Americans had never heard of Nintendo (actually a major Japanese game company) and that retailers were still writing off millions of dollars in unsellable games' inventory, Nintendo stubbornly thought it had a better way.

"It wasn't an easy sell," recalls Peter Main, vice president of marketing for Redmond, Wash.-based Nintendo of America. "The trade at that time was extremely skeptical and virtually nobody had heard of Nintendo. We were a nonentity and the retail buyers were telling us that the only reason they were there was because the people who had been the buyers before them had gotten fired for getting into the video-game business in the first place."

Nonetheless, Nintendo believed its "new generation" of games was superior to the predecessors that had glutted and prematurely collapsed the market. The company's reading of the U.S. market was that demand still existed — if enticed by a better product. So late in the fourth-quarter of 1985, the firm began test marketing the Nintendo Entertainment System (NES) in New York. Much to the surprise of the trade, consumers responded favorably to the more powerful and better quality game system.

Following its national rollout in 1986, Nintendo led the wave of "new generation" video-game firms — including Sega, INTV and a revived Atari — with a 70% share of the revitalized market.

Based on this initial success, Nintendo projected it would take a $650 million slice of an $825 million pie the following year, but actual 1987 sales figures were much better, reaching $1.1 billion for the industry and $750 million for Nintendo and its licensees.

With a deft mix of innovative marketing and aggressive product development and control strategies, Nintendo parlayed this success in 1988, capturing a 75% share of sales that shot up to $2.3 billion. By the end of 1988, 12% of U.S. homes had a Nintendo system. Nintendo projects its penetration will top 20% this year.

Moreover, unlike previous videogame industry successes, Nintendo appears to have broadened the appeal from the traditional target of young males. "We've taken a product that generally is assumed to have a very narrow, male-oriented, 8-15-year-old target group and made it into a total family entertainment system," notes Nintendo's Main with pride. He adds that more than a third of their "primary users" are over 18. Actually, 15% of their players are in the 25-54 bracket, and 20% are female.

For every month since November 1987, Nintendo has held the No. 1 position on *Toy and Hobby World*'s "Toy Hit Parade" survey. The magazine's editor, Bruce Apar, says Nintendo's strength "shows no sign of abating. If anything, Nintendo is trying to capitalize on its phenomenal 1988 success by getting into merchandising."

At the tail-end of 1988, Nintendo leveraged the growing brand awareness of its video games by licensing its names and characters to 35 outside vendors to produce the "World of Nintendo," a line of products and merchandising that includes everything from t-shirts and posters to the *Super Mario Bros. "Super" Show*, a hot new syndicated tv show from Viacom debuting this fall. "My favorite is the Nintendo Cereal System," notes *T&HW's* Apar, referring to a new Ralston Purina cereal.

While such projects will surely extend the awareness of the company's brands, Main says the firm plans to "keep its nose to the grindstone" of developing new software that generates excitement and captures the imagination of its system users. Indeed, most observers feel that Nintendo's success is largely due to its recognition that the video-game business is driven by software. While some feel that other firms, particularly Sega, may have technologically better hardware systems, it is Nintendo's game development and acquisition that has been key to its success. This is particularly crucial since systems are not compatible; in other words, a Nintendo cartridge will not play on a Sega system. "A lot of people believe that Beta is a better videotape format than VHS, but in the end, it's really a matter of what the consumer thinks," says *T&HW*'s Apar, adding, "More than anything, this underscores how important marketing is and how it can transcend differences in quality and technology."

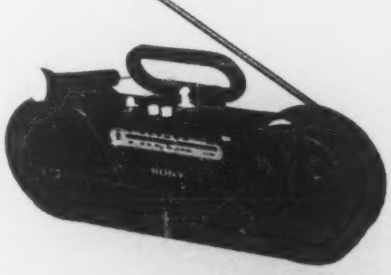
SONY

SONY'S NICHE KNACK

by Brian Bagot

Get 'em while they're young. That seems to be the proud motto of Sony Corp. of America as it watches sales of its new children's line of audio products hit it mark. Sensing that the mores and economics of the times were making for more sophisticated kids, Sony pioneered a line of five electronic musicmakers such as a walkman-like cassette player and "boom-box" portable stereo, which retailed anywhere from $35 to $60. The My First Sony products, which have the same inner technology as the regular line but are packaged in brightly-colored plastics with big dials to appeal to kids aged four-to-12, were an instant hit. So much so that Sony increased the line to 10 products — including a $200 compact disc player, $50 wrist-mounted walkie-talkie, $90 stereo cassette recorder and $50 AM/FM cassette Walkman. And, in a nice switch, the U.S. side of Sony has begun exporting the products to Japan and Europe.

My First Sony is a real triumph for Sony Corp. of America, since it is the first major product line researched, designed and marketed by the U.S. arm. Sales rose 40% in 1988 and are projected to leap another 50% in '89. Retailers such as Toys R Us report that the line was close to a sell-out last Christmas. As George K. Hersh, Jr., an analyst with Daiwa Securities, puts it, "There's no better example of a company going out and finding a market niche that was so under-served."



According to Jim Geitz, merchandising and promotions manager for the Consumer Audio Products Co. of Sony Corp. of America, extensive market research of the kids' electronic category showed a competitive void, and better yet, tantalizing opportunities. Most other items available were marketed by toy companies, most notably Fisher Price, and appealed more to pre-schoolers.

"We try to keep our image away from toys," says Thomas Harvey, president of the Consumer Audio Products Co. As a result, Sony emphasizes a high-quality electronics

CHRIS BENNION BLACK STAR

Super Marketing Brothers: Nintendo of America president Minoru Arakawa, left, with vice president-marketing Peter Main.

Key to Nintendo's software strategy was keeping its games accessible, interesting and fresh. Unlike earlier video games, Nintendo developed (from two competing in-house design groups) or licensed (from its stable of 35 outside suppliers) more powerful and sophisticated games that offered new challenges as users' playing skills improved. Whereas the earlier generation of video games were based on 256k of computer power, the new systems draw upon several megabytes.

"One of the problems with games in the past is that kids got bored or frustrated while playing them, because they lost their challenge or because they couldn't move on to the next level of sophistication," explains George K. Hersh, Jr., vice president of equity research at Daiwa Securities of America, which tracks publicy-traded Nintendo on the Tokyo exchange.

To avoid the latter pitfall, Nintendo developed a unique "Player-Support Program," consisting of a combination of "hotline" telephone numbers that provide tips on playing Nintendo games. Each week an average of 16,000 people call the toll-free number for recorded tips and 84,000 people call to speak to more than 250 "game counselors." The game counselors also respond to an average of 8,000 letters per week.

Besides keeping Nintendo users apprised of Nintendo games and products, the player-support program provides a valuable source of research for Nintendo game developments and marketing efforts. "It has kept us in close contact with the end user," explains Nintendo's Main. "We use the data we collect to absolutely ensure that our game developers are aware of what's hot and what's not."

Another facet of the player-support program is a bi-monthly user magazine

image as well as a more serious message than traditional toy ads. And in the retail outlets, which range from major toy outlets, department stores and consumer electronic specialists, the line is merchandised separately from toys. "They're not intermixed with train sets," emphasizes Geitz.

Of the near $3 million marketing outlay budgeted for the line last year, 75% was spent on advertising, primarily aimed at moms, with the balance going toward promotions. Handling the television campaign is Burkhardt & Christy Advertising, while Slater Hanft Martin has the print segment.

Television flights were aired during soaps and on such shows as the Thanksgiving Day Parade, season specials, *The Cosby Show* and *Family Ties*. Women's magazines running ads include *Good Housekeeping*, *Family Circle* and *Woman's Day*.

On the promotional front, Sony and A&M Records teamed up for a CD-3 program. The first 10,000 My First Sony CD player boxes were packaged with a CD-3 disc featuring children's songs performed by Raffi, Fred Penner and Tom Chapin.

Another promotion was tied-in with Peter Pan Industries. Consumers who purchased My First Sony tape players received two free sing-along cassettes from a selection of six.

The plan for 1989 calls for more of the same. No further new products are planned until 1990, which will give Sony more time to build awareness of the line. As Sony sees it, catching them young means a greater chance of keeping them humming Sony's tune through childhood into active, affluent consumer-hood.

AD EXPENDITURES '88:

SONY--MY FIRST SONY

1987 TOTAL (000) **$2,326.7**

JANUARY-SEPTEMBER 1988 TOTAL (000) **$726.1**

BAR NETWORK TV (000)	BAR SPOT TV (000)	BAR CABLE TV (000)	BAR SYNDI-CATION (000)	BAR NETWORK RADIO (000)	RER SPOT RADIO (000)	LNA MAGA-ZINES (000)	LNA SUNDAY MAGAZINES (000)	MR NEWS-PAPERS (000)	LNA OUT-DOOR (000)
$1,465.4	$0.1	--	--	--	--	$829.0	$32.2	--	--
--	--	--	--	--	--	$726.1	--	--	--

Source: Broadcast Advertisers Reports (BAR), Radio Expenditure Reports (RER), Leading National Advertisers (LNA), Media Records (MR).

titled *Fun Club News*, which had been sent free to about 2 million Nintendo homes. This year, the magazine has been converted to a total of about 1 million paid circulation households ($15 for six bi-monthly issues) and has been renamed *Nintendo Power*.

Although Main declined to disclose the costs of these player-support programs, he described them as a "significant investment" on top of the roughly $40 million that Nintendo spent on the rest of its 1988 marketing budget — $20 million on conventional media, $15 million on co-op and about $5 million on merchandising. (The firm plans to up its marketing budget by nearly 50% in 1989 to about $60 million.)

Of the $20 million Nintendo invested in media spending, Main says virtually all of it went into some form of television, including network, syndication, spot and cable. "We are continually pursued by the radio and print people as a reminder opportunity, but we don't feel that either of those media are right for our specific needs," he explains. "We are trying to capture the excitement of what it is like to play our games, and only television can demonstrate that."

Actually, tv may be doing too effective a job of demonstrating that excitement for its own good. Of the many hours players use their Nintendo systems — estimates range from four to 16 hours a week — Main says that most of it is coming at the expense of conventional tv viewing time. "It's an interesting problem for us, because we buy a lot of children's syndication, and we buy it on a guaranteed basis. At the end of each quarter we receive very large rebate checks, and the guys that are giving them to us say we're the cause of the underdelivery. So it's like chasing your own tail," admits Main.

Other advertisers have approached Nintendo about having their messages and logos programed into games. Pepsi, for instanc[illegible]oposed such a deal for Nintendo's "Mike Tyson's Punch-Out!!" game when it was sponsoring one of Tyson's title bouts. Nintendo passed.

Meanwhile, Nintendo is moving into other dayparts as it rolls out new adult-oriented games and products and is trying other media on a limited basis. "They've pioneered the use of comic books by video-game companies," notes Steven Smith, editor of the electronics section of *HFD* magazine.

While the comic-book medium may be a natural tie-in for Nintendo, the company has dabbled in more conventional print media for specific promotions. For instance, seeking to allay parents' and educators' concerns about the amount of time kids spend playing games, Nintendo ran a fourth-quarter "Design Your Own Video Game" contest in *Boy's Life* magazine, which encouraged teachers to assign computer class projects around the promotion.

Nintendo also partnered with two major packaged-goods firms in fourth-quarter promotions intended to improve its awareness among parents in time for the holidays. One involved a cross-promotion with Procter & Gamble's Tide that involved a display program in about 30,000 supermarkets. "Our objective was to develop a relationship with such a well-known brand as Tide and to put our name in front of moms so that, when their youngster put Nintendo on their wish list for Christmas, she would be familiar with it," explains Main. Nintendo ran a similar promotion with three of Ralston Purina's children's cereal brands, designed to increase awareness among kids and parents.

The last leg of Nintendo's successful strategy features a unit called NES Merchandising, which includes a field force of 130 merchandising specialists who visit stores to fine-tune inventory and displays. Instead of offering uniform merchandising materials nationally for the trade, Nintendo has created a menu of options that retailers can choose from. Retailers receive a credit of 25 cents for each hardware system and 10 cents for each game they sell, the total of which is used to purchase merchandising materials from Nintendo. These include everything from traditional, free-standing displays to a high-tech, interactive system that allows potential customers to actually play any of ten Nintendo games.

As a result of these specialized marketing strategies, as well as its finely-tuned media scheduling, Nintendo has become the dominant force in the video-game industry. So much so, that one of its game suppliers (also a game systems competitor), Atari, has filed a restraint of trade suit against Nintendo, claiming that the firm's strict control over the licensing of its games hampers the growth of outside vendors. However, as *T&HW*'s Apar notes, "Other people feel it is good that Nintendo operates this way, because they may be preventing some of the problems that hampered video games the first time around. They're certainly controlling the quality." ■

AD EXPENDITURES '88:

NINTENDO	BAR NETWORK TV (000)	BAR SPOT TV (000)	BAR CABLE TV (000)	BAR SYNDI-CATION (000)	BAR NETWORK RADIO (000)	RER SPOT RADIO (000)	LNA MAGA-ZINES (000)	LNA SUNDAY MAGAZINES (000)	LNA NEWS-PAPERS (000)	LNA OUT-DOOR (000)
1987 TOTAL (000) $10,945.0	$2,696.1	$4,325.9	$1,456.9	$2,458.0	--	--	--	--	$8.1	--
JANUARY-SEPTEMBER 1988 TOTAL (000) $4,511.6	$66.0	$1,570.2	$954.9	$1,775.5	--	--	--	--	$145.0	--

Source: Broadcast Advertisers Reports (BAR), Radio Expenditure Reports (RER), Leading National Advertisers (LNA), Media Records (MR).

UNWIRED UNBOUND

ANOTHER ELEMENT IN THE MIX

It has been many years since television stations first banded together to form what we identify as the three major networks, ABC, CBS and NBC. In more recent years, we have seen the growing force and impact of local, independent stations, so-called superstations and satellite and cable transmission. Each of these media vehicles brought something of value to television viewers as well as to the advertising community.

The 1980s have seen the introduction of yet another option: the unwired network. Essentially it is the banding together of local stations to provide in-program participation across the country through schedules that, though different by market, are target-audience focused. ALIN-TV (America's Leading Indies' Network) and ITN (Independent Television Network Inc.) are at the forefront of promoting and making available for sale unwired network commercial time. Group W has announced its intent to set up a new unwired network (including network affiliate stations) whereby time will be sold in early and late news telecasts.

Recently, the Association of Independent Television Stations (INTV) explored the possibility of forming its own sales co-op to market an unwired network of its member stations. Fearful, however, that unwired networks would draw support away from current national spot tv advertisers, INTV abandoned its venture. While the concern on the part of independent stations is understandable, we are not certain that INTV's overall reaction is in the long-range interests of independents. It is not likely that unwired networks will disappear because INTV does not fully support the concept.

As a matter of media fact, unwired networks can be a significant element in advertising plans. Consider:

- *Extension of reach* — Unwired network activity could be scheduled to roadblock regular network or syndicated activity.
- *Line-up deficiencies* — Though national in scope, network, syndicated and cable programs can have uncleared markets in their line-ups. A supplement of independent station activity would tend to fill in for the deficiency.

- *Targeted tonnage* — An unwired network can be designed to concentrate on key target consumers and/or demography. Local spot tv heavy-ups in key markets can be added to build frequency in high franchise markets.
- *Network weaknesses* — A network of independent stations would tend to be strongest in markets where regular network stations are weakest.
- *Commercial length* — Unwired networks provide an opportunity to schedule integrated fifteens when not available on regular networks.

Unwired network activity, though customarily target-consumer-demography driven, doesn't provide the environmental control that other national media alternatives can offer. For that reason, we view the unwired network as a supplementary rather than a primary medium.

As with all media vehicles, we check our unwired network affidavits carefully to ensure that the "as run" activity matches our understanding of the buy. We are always pleased to have reasonable media choices to evaluate in our clients' interests, and we believe that unwired network activity expands our opportunities.

Art Heller is executive vice president and director of media, programing and marketing services, Griffin Bacal Inc.

OUR READERS TELL US . . .

Research USA, Chicago, found that over 80% of the media planners and directors surveyed see unwired networks as a possible alternative to spot or network buys. At the same time, most of the money for the unwired network buys is coming from network and spot coffers. (Base = 105, unless otherwise indicated.)

1. Do you see unwired networks as a viable alternative to spot or network coverage?

Yes	81.9%
No	18.1%

2. Have you placed advertising on an unwired network?

Yes	51.4%
No	48.6%

If "Yes," how many advertiseme have you placed?

1-5	31.
6-9	11.
10+	53.
No answer	3.
Base = 54	

3. From which budget does the mor for unwired network buys come fro

Network	36.
Cable	5.
Syndication	15.
Spot	36.
Incremental	2.
Other	1.
Do not use unwired network	27.

4. What is the role of your agency unwired networks? (Check all that ply.)

Planning	73.

LOOKING FOR THE REAL THING

Unwired networks have lately become all the rage as myriad rep-firm and association packages of spot market buys cross our desks weekly. We see unwired networks as spot tv made more palatable, but with very few of the advantages and benefits that spot "well done" has to offer.

Unwired networks are the result of five key marketplace factors:

1. The soft spot market.

2. A major trend towards regionalized buying by advertising agencies, which has resulted in fewer spot dollars flowing through rep firms.

3. Increased network inventory via additional commercial breaks, as well as the increasing use of 15-second commercials, and the increased use of cable and syndication as integral components of broad-based advertising campaigns. Once it was a simple matter for reps and stations to wait for tight network to spill into cable and syndication alternatives. No more.

4. There continues to be a reluctance on the part of some agencies and advertisers to utilize spot television.

5. There is also a growing disenchantment with syndication as the ultimate efficient augmentation of a national buy. The stronger stations on a list can and frequently do pre-empt national barter spots and replace them with local.

Unwired networks should offer convenience, efficiency, bottom-line delivery guarantees and the nimbleness to permit varying market-by-market deliveries. And, in fact, unwired networks do all of the above.

Convenience is certainly delivered to both the buying agency (who places a one-order purchase) and to the client (who needs not review the scores of pages of printout that a traditional broad-based spot buy would generate).

Bottom line guarantees are usually met. That's a plus. Market-by-market variations are not permitted, but are usually inadvertently delivered. That could be considered a plus except where a logical variation based on such factors as business development or opportunity would have lead planners to a different variation pattern.

So what's the problem?

Efficiency is the problem and the point of comparison at which unwired networks inevitably fail. Unwired is rarely efficient and is not even efficient compared to spot. We have evaluated a number of unwired buys and have never found spot television's efficiency to be less than 15%, with much higher advantages.

We'll look at all the unwired submissions that cross our desks; but unless it is distinctly to our client's advantage (read efficiency as a first line of definition), we'll recommend "the real thing" — spot television. Along with negotiated efficiencies, we know that by using spot we can logically array locally delivered weight in accord with our client's needs.

In addition, we know that by using spot we can assert far greater program-environment control, as well as target far more precisely than through a daypart-specific unwired network buy. After all, the folks in Des Moines are different from the folks in Racine.

Local planners and rep firms would be better served to educate planners and buyers to the true qualities that spot can bring to the marketing and media mix, rather than constructing flimsy, insubstantial, "surface only" solutions to a declining revenue stream.

Ira Carlin is executive vice president and national media director for McCann-Erickson, New York.

Buying	74.3%
Post-buy analysis	57.1%
None of these	16.2%

5. Who is the ideal representative for an unwired network?

Station reps	64.8%
Barter reps	18.1%
Other	10.5%
No answer	6.6%

6. To what degree is the lack of a consistent program environment a problem?

Strongly a problem	31.4%
Somewhat a problem	52.4%
Not a problem	14.3%
No answer	1.9%

7. Would you be willing to pay a premium to have greater control over the program environment?

Yes	42.9%
No	57.1%

8. What degree of coverage would you expect from an unwired network?

100%	2.9%
90%	13.3%
80%	40%
70%	24.8%
60%	6.7%
Less than 60%	6.7%
No answer	5.6%

9. How much of a price advantage over a network or spot buy would you expect from an unwired network?

10%	7.6%
20%	34.3%
30%	40%
40% +	17.1%
No answer	1%

ECONOMIC EYE

DOUBLE VISION

Nielsen reports that households with pay cable and kids are more than twice as likely as other households to watch more than one tv program at a time. Multi-set viewing is highest during prime time (6.6% in 1987) and early fringe (2.5% on average). Daytime had the lowest simultaneous viewing, 0.9%.

MAGAZINE AD SCORECARD

	Ad Pages Jan. 1989	% change from Jan. 1988	Dollars spent (000)	% change from Jan. 1988
1. Skin care, Creams, Lotions and Oils	217.28	+7.6%	8,413.7	+12.3%
2. Lip and Eye Beauty Products	59.04	+55.0	2,203.4	+57.1
3. Scents and Fragrances	26.36	+37.5	692,024.0	+102.9
4. Facial Makeup Products	50.56	+25.7	1,876.4	+22.1
5. Prepared Dinners and Entrees (including pizzas)	20.95	−41.4	1,604.6	−23.7
6. Liquor	210.91	+23.3	9,173.4	+17.1
7. Cigarettes	559.96	28.3	31,497.1	+48.2
8. Soaps and Detergents	15.45	−58.4	1,039.3	−51.4
9. Passenger Cars, Domestic	559.78	46.8	29,678.9	+30.3
10. Passenger Cars, Imported	555.22	7.1	26,562.9	10.9

Source: Publishers Information Bureau as prepared by Leading National Advertisers.

MEDIA COST INDEX

1985 = 100 ← 1988 →

	April	% change	May	% change	June	% change	July	% change	Aug.	% change	Sept.	% change	Oct.	% change	Nov.	% change
Network TV																
Daytime	78	−15	76	−18	73	−22	81	−17	73	−14	146	+60	82	−16	80	−14
Nighttime	99	−0	110	−0	122	+8	110	+0.3	118	+4	118	+11	114	−9	113	−2
Spot TV																
Prime time	125	−9	126	−8	125	−4	–	–	125	−8	141	+14	128	+6	104	+3
Daytime	95	−18	103	−13	93	−10	–	–	100	−14	107	+4	106	−5	102	−10
Network radio	116	+0	116	+2	116	+2	102	−0.5	[illegible]	+6	112	+5	131	+8	125	+10
Spot radio	–	–		+3	101	–	–	–	–	–	105	+2	–	–	–	–
Consumer magazines	115	+5	115	+5	115	+5	115	+5	114	+5	116	+6	115	+5	118	+6
Natl. Sunday mags	116	+13	116	+13	116	+13	116	+13	128	+14	130	+10	130	+10	130	+10
Business publications	117	+5	117	+5	117	+5	117	+5	117	+5	118	+6	118	+5	120	+6
Newspapers	124	+7	124	+7	124	+7	124	+7	124	+7	123	+7	124	+7	124	+7
Outdoor	123	+8	123	+8	123	+8	123	+8	123	+8	123	+8	113	−4	113	−4

Notes: Percentage shown is relative change from the same month/period the year before.

*Revised

Sources:

Nighttime Network TV—Cost per average 30-second spot, 7:30-11 p.m. Monday-Saturday and 7-11 p.m. Sunday from Broadcast Advertisers Reports' (BAR) Network TV Service.

Daytime Network TV—Cost per average 30-second spot, 10 a.m.-4:30 p.m. Monday-Friday from BAR's Network TV Service.

Network Radio—Cost per average 30-second radio announcement from BAR's Network Radio Service.

Consumer Magazines estimate based on reported SRDS cost of a page, four-color in 40 national consumer magazines, as reported by Magazine Publishers Assn.

National Sunday Mags estimate based on published (rate cards) costs of a page, four-color in the national entries.

Daily Newspapers estimate based on Newspaper Advertising Bureau report of SRDS costs per column inch of a sample of 784 newspapers weighted to represent the universe.

Outdoor Posters based on estimate prepared by Institute of Outdoor Advertising.

Spot Radio index represents cost of a 60-second spot in the top 100 markets from data supplied to Radio Expenditure Reports by major radio representatives.

Business Publications estimate based on reported SRDS cost of a page, four-color in 48 publications representing 42 business and professional classifications.